S. HRG. 98-65

ORGANIZED CRIME IN CHICAGO

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

MARCH 4, 1983

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

19-608 O WASHINGTON: 1983

540+43

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ORGANIZED CRIME IN CHICAGO

FRIDAY, MARCH 4, 1983

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:30 a.m., at the U.S. Courthouse, Chicago, Ill., under authority of Senate Resolution 76, Section 13, dated March 2, 1983, Hon. William V. Roth, Jr., presiding.

Members of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware; Senator Warren B. Rudman, Republican, New Hampshire; Senator Charles H. Percy, Republican, Illinois; and Senator Sam Nunn, Democrat, Georgia.

Members of the professional staff present: S. Cass Weiland, chief counsel; Katherine Bidden, chief clerk; Terry Bostic, staff counsel, minority; Sarah Presgrave, executive secretary to the chief counsel of the majority; Phil Ward, legislative assistant to Senator Rudman; John Maddox, press secretary to Senator Roth; Howard Marks, professional staff member, U.S. Senate.

[Members present at convening of hearing: Senators Roth, Rudman, Percy, and Nunn.]

OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. The subcommittee will please be in order.

Today the U.S. Senate Permanent Subcommittee on Investigations will continue its probe of organized crime activity. In our first field hearing, we will focus on the infrastructure of the Chicago crime syndicate.

Now, the scope of activities involving the syndicate or mob or outfit in the Chicago area is truly pervasive. Organized crime in Chicago touches practically everyone's life or livelihood. And the evidence shows that the tentacles of mob activity in this city reach into government, law enforcement, unions, and other legitimate political, social, and economic functions.

Accordingly, I have scheduled these hearings to heighten the public's awareness of just how pervasive criminal influence is in Chicago.

But I have also scheduled these hearings to bring to the fore some hard questions that need to be asked, hopefully some suggestions and remedies that need to be weighed. The hearings of this subcommittee have been instrumental in providing a basis for passage of a wide range of criminal laws, including those involving wiretapping authority, antiracketeering, tax disclosure, and union corruption.

But we are not, after all, just in business to continue a Senate tradition of inquiring into the scope of structured criminal enterprise. Even though such a tradition has both heightened public awareness and provided the evidential basis for legislative action against the activities of organized crime, the simple but chilling fact remains: The criminal syndicate in Chicago is well and flourishing. It has not been eradicated nor, I regret to say, even contained.

Indeed, in spite of the best efforts of the committee, its predecessors, and many outstanding law enforcement people, the Nation is still overwhelmed by organized criminal activity. So I think it's time that we consider taking a different tack.

I believe we must ask ourselves some basic questions, such as: What are the supporting mechanisms on which organized crime relies? Can we realistically weaken these supports? Can we somehow take the profits out of organized crime? Can we, as a society, ever inflict critical wounds on the infamous criminal syndicate?

I'm confident that we can, and I intend to use today's hearings as a new first step in building on that confidence.

Today's lineup of witnesses will undoubtedly reinforce some of the things we already know, and maybe tell us some things we really don't care to hear. But, in any case, I'm convinced that the accounting of organized criminal activity that the witnesses give today here in Chicago will spur and encourage, action.

Hopefully, the testimony will sufficiently outrage the citizens of this fine State and elsewhere to the point where they are willing not only to renew this country's efforts against the so-called mob, but also to get behind new and meaningful legislation aimed at the heart of the criminal infrastructure.

As chairman of this committee, I have read some appalling stories. I have read with interest many of the documents submitted to this subcommittee. I have come to the conclusion that the only way to accomplish our goal is to strike at the very heart of the criminal infrastructure. We must do this, frankly, by insisting that State and local governments increase their efforts in the fight against organized crime. We must educate local citizens to the fact that the war against crime is, in part, their war.

For instance, the Chicago Crime Commission, an outstanding group that has done good work in this area, has wanted us for some time to come here, in the concern that millions have been spent to rid Chicago of organized crime. Instead of improving, the situation may be worse.

The commission knows well the reason why. Corruption in this city has been rampant. Surely, there exists a need to prosecute corruption.

But I question whether this can be done by new Federal legislation alone. On the contrary, I do not feel that the feds should be saddled with the entire problem. Instead, I believe there is room for improved State and local efforts. I want to use these hearings and others like them to find out what these improvements might be.

On a larger scale there are some things that can be done at the Federal level. And I can assure the witnesses here today that the members of this subcommittee are willing to initiate Federal legislation aimed at helping and complementing whatever steps you take and the members of your communities decide to do.

Right now the mob is strong because it has money and lots of it. It is no secret that organized crime reaps tremendous profits from its illicit activities.

Where do these profits go? What efforts have been made to trace these funds offshore? How much money is involved? As I said earlier, how can the profits be taken out of organized crime? These are questions which have never really been answered, but this subcommittee is striving to provide at least partial solutions in this hearing and others that we will have this year.

I will not read my entire prepared statement, but without objection, I will include it in the record as if read in its entirety.[1]

At this time it's my great pleasure to call upon my colleague from the great State of Illinois, who is ranking member on the Republican side, and, of course, chairs the influential and powerful Foreign Relations Committee, Senator Percy. The prepared statement you submitted will be put in the record.[2]

OPENING STATEMENT OF SENATOR PERCY

Senator PERCY. Thank you, Mr. Chairman, Senator Roth. We welcome you and Senator Rudman and Senator Nunn to Chicago on a typical Chicago March day.

I'd like to express my great appreciation and commendation to you for calling this meeting. It's been over 2 years ago, and I see many of my friends from the Chicago Crime Commission, Phil Hummer, Pat Head, and others, sitting here today; but it's 2 years ago that we first talked about their desire to see hearings in Chicago. They thought that all the hearings should not be held in Washington, that they ought to be right out where the crimes are committed, and we ought to focus attention on this. And just as we solve problems like inflation and bringing down bank rates and other problems that we domestically have by focusing attention on them and getting the public behind this, what they need, what the Chicago Crime Commission needs, what this subcommittee needs, is the support of the public.

Why aren't we more outraged about the kinds of things that happen that add hundreds and thousands of dollars to the cost of living of every family in the Greater Chicago Area? Is Chicago, which has always been known as a center of crime, conceding in that? Those facts ought to be available to us. Or are we so callous that we get used to it and take it as a matter of course?

I just don't think we can, Mr. Chairman. I have now been a member of this distinguished subcommittee that has jurisdiction in the U.S. Senate for organized crime for about 10 years. I took a position on this overall committee and subcommittee because I wanted to stay with it, the problem of crime, and to develop legislative strategies that would set firm limits on organized crime, particularly right here in Chicago. And certainly the subcommittee has done that in the past, and needs to continue that effort.

Despite the best efforts of local law enforcement—despite their best efforts—organized crime has continued to move with impunity

[1] See p. 85 for the prepared statement of Senator Roth.
[2] See p. 92 for the prepared statement of Senator Percy.

across State lines. Only tough Federal legislation rigidly enforced can ever hope to slow down organized crime.

I'm very pleased that Judge Webster, Director of the FBI, was at the Chicago Crime Commission reception last night with us and freely discussed what the FBI can and should do in this area.

Organized crime in Chicago today knows no recession, it knows no unemployment, it knows none of the economic suffering felt by those of us in the Midwest, which we hope is coming to an end.

Organized crime members doing business in Chicago live high on the hog in their homes in Palm Springs, Fort Lauderdale, and the Caribbean. They travel first class. They take fancy vacations. And who is paying for all this?

I just wish the people of Chicago would realize that every single family is underwriting those costs, underwriting the life that they live, totally free from taxes. They are not paying taxes on those illegal profits.

Citizens are paying, through inflated costs for goods, for services, higher automobile insurance premiums, and higher taxes, to pay for society's attempt to curb these thugs.

Take, for example, the recent convictions for embezzlement at the fish market in New York City which caused substantially higher seafood prices for New York City residents. In recent days similar allegations have been directed toward a wholesale food market in Chicago which may be driving up the cost of food at the supermarket. If these reports prove true, I would hope that the authorities move quickly to stop this.

Unfortunately, the popular image portrays organized crime as leaving the innocent bystander alone. Some may ask why we would be concerned about the sudden death of Allen Dorfman or the attempted murder of Ken Eto or the syndicate's control of pornography or gambling.

We should be concerned for lots of reasons. The whole organized crime empire is based on fear, intimidation, and lawlessness. Today it may be Allen Dorfman being murdered by an organized crime triggerman. Tomorrow it may be the member of an extremist political movement pulling the trigger on a critic and getting away with it because he saw how the mob did it and how they got away with it.

Let me just point out on I think it was page 4 as I went through the Chicago Sun-Times this morning, "South Side chop shop operator shot to death." That's just the daily event that occurred yesterday. We learn of another murder, Mr. Michael "The Monk" Chorak, shot to death on the far South Side. I'm quoting you an article by Art Petacque and Hugh Hough in this morning's Sun-Times. I quote:

> ". . . Chorak was regarded as the chief chop shop operator under Joseph 'Joey the Clown' Lombardo, the underworld boss who is awaiting sentencing following his conviction in the Teamsters bribery-conspiracy trial."

Chorak was apparently cooperating with the authorities. And I'll have more questions about his slaying later.

Art Petacque, by the way, is one of the best crime reporters we have in Chicago, and he actually coined the phase "chop shop" when he first exposed this problem in the mid-1970's.

Mr. Chairman, I would ask unanimous consent that the article be incorporated in the record at this point.

Chairman ROTH. Without objection.

[The newspaper article referred to follows:]

[From the Chicago Sun-Times, Mar. 4, 1983]

SOUTH SIDE CHOP SHOP OPERATOR SHOT TO DEATH

(By Art Petacque and Hugh Hough)

A 38-year-old chop shop operator who reportedly had been informing on his criminal friends was found shot to death Thursday at his Far South Side auto wrecking yard.

It was learned that the victim, Michael "The Monk" Chorak, was regarded as the chief chop shop operator under Joseph "Joey the Clown" Lombardo, the underworld boss who is awaiting sentencing following his conviction in the Teamsters bribery conspiracy trial.

Chorak was discovered lying face down, a bullet wound in his abdomen, in the office of M&J Auto Wrecking Co., 1463 E. 130th St.

Chorak, an ex-convict with an extensive record of auto theft, reportedly had been disposing of his personal property while preparing to enter a federal witness protection program.

It was learned that Chorak had given extensive information on the chop shop racket—the sale of parts from stolen vehicles—to Chicago police and the FBI.

The undercover probe, code-named Operation Chisel, has been carried out in extreme secrecy for the last two years by investigators picked by Police Supt. Richard J. Brzeczek and Chicago FBI chief Edward D. Hegarty. Chorak's slaying came on the eve of a hearing into Chicago organized crime by the Senate Permanent Subcommittee on Investigations. The panel is to meet Friday at the Dirksen Federal Building.

Investigators said that in the past Chorak had operated one of the largest chop shop businesses in the Chicago area. A number of indictments of chop shop figures had been anticipated on the basis of information he supplied.

Robert P. Subatich, 44 believed targeted for indictment, was found shot to death Jan. 11 in the trunk of his car at O'Hare Airport.

Investigators said chop shop suspect Subatich, of Calumet City, and Chorak once quarreled over a woman and Subatich stabbed Chorak, although not seriously.

In addition to the auto wrecking business, Chorak operated another firm, M&J Auto Sales, next door at 1465 E. 130th.

In 1980, Chorak was one of five auto parts dealers joining in a suit against then-Illinois Secretary of State Alan J. Dixon in an effort to keep State investigators at least 250 feet from the dealers' premises.

Senator PERCY. And I would like to point out also to my friends in the audience, as many of them well know, it was this subcommittee that years ago began investigations of the Teamsters Health and Welfare Fund. The Teamsters contributed to my last campaign, and I must say some of them were somewhat unhappy about the fact that I was the ranking member, minority ranking member, of a subcommittee to which they had contributed.

I said:

As I understand it, those contributions came from the dues of members. Our job is to protect the members of the union and let the chips fall where they may. If Dorfman is guilty, then let the facts prove it.

And the material that we developed, turned over to the Justice Department, obviously a great deal has transpired since then.

As the late Billy Dauber, the master chop shop operator, said in 1979, right before he was murdered, "The only thing that organized crime has to sell is fear."

I understand that now certain motorcycle gangs are emulating organized crime, even forming alliances with them. The web is expanding and becoming, if anything, more ruthless and more vicious.

I have been particularly concerned about how consumers have been haunted and harmed by organized crime. Of particular interest is organized crime's control of chop shops, clandestine garages where stolen cars are taken apart. A stolen car used to be a joyride for a 16-year-old, and it would be found the next morning.

Today, within hours, that car could be stolen on orders, on a interstate telephone system—that's the car they are looking for—they know exactly where one exists. The order comes in. They are picked up. And inside of a couple of hours, that's taken to a local chop shop, and it's taken and stripped down, and you would never recognize the car again.

All of the parts that are serial numbered are discarded and dumped and thrown away in the river. Those that aren't are the ones that have the high price and are sold on order from other shops.

When, 3 years ago, we held 4 days of hearings on chop shops, in Washington; we introduced legislation, authored the bill to provide police with an audit trail for component parts stripped away from stolen cars by organized crime choppers. The total cost would have been no more than $10 per vehicle for these numbers. Removal of these numbers would be a Federal crime.

The bill also invoked the antiracketeering statute in case of suspected chop shop activities.

I am proud to report that the FBI is now using the hearing transcript of that subcommittee hearing as one of its official auto theft training documents at its training academy at Quantico, Va.

Finally, let me just say that these are just a few of the ways the problem of chop shops affect the average family. In order to make up for losses, insurance companies have had to jack up theft rates in Chicago and major cities affected.

The chart that we have available that I will hold right here indicates the huge difference in rates for a 1983 Chevrolet Impala across northern Illinois. Residents living on the South Side and the West Side of Chicago, many low-income families, have to actually pay $332, whereas people in outer Cook County pay $105, and rural northern Illinois pays $50. And yet the rates in other parts of the country, because they are not subject to the one phenomenon, the chop shop, which makes an organized business by organized crime out of the theft of automobiles.

The cost is simply horrendous. The cost in Delaware, by the way, is only $67 compared to these costs right here—$72 in Atlanta.

The National Automobile Theft Bureau, located right here in Palos Hills, Ill., provided me with some astounding data. Just since 1979, another three and a half million vehicles have been stolen in the United States. The recovery rate for stolen vehicles has dropped from 59 to 52 percent.

The total cost of all car-related thefts is $12½ billion. That's $12½ billion, almost the total gross national product of a great nation such as Peru.

The cost to the people of the State of Illinois of organized crime involved in narcotics would even pale to insignificance that particular cost.

I will be reintroducing the chop shop bill soon, with the assistance of Senator Dixon, Senator Lugar, and others of my colleagues.

I would like to just mention that National Car Rental of Chicago, a system developed by Digital I.D. Systems of Park Ridge, since affixing the numbers on its parts, its car thefts have dropped 75 percent, at a cost of only $15 per car.

Mr. Chairman, I would like to commend the Chicago Crime Commission, and particularly its president, Gail Melick, and its executive director, Pat Healy, and its board. When others lost interest, they kept alive the efforts to combat organized crime. They have let us all know that there are no innocent bystanders as long as organized crime continues to thrive and flourish.

Chairman ROTH. Thank you, Chuck.

At this stage I would like to call on the ranking minority member of the subcommittee who served with great distinction as its chairman for several years and who has been a leader in the fight against organized crime, Senator Nunn.

OPENING STATEMENT OF SENATOR NUNN

Senator NUNN. Thank you very much, Mr. Chairman. Without objection, I'll place my prepared statement in the record.* I thank you, Mr. Chairman, and your outstanding staff, for putting together these hearings. I have personally spoken with representatives of the Chicago Crime Commission on several occasions over the past several years. We worked together in a totally bipartisan spirit—when I was the chairman of this subcommittee and Senator Percy was the ranking minority member—I think that you and I have continued that tradition now that you are chairman and I'm ranking minority member.

Senator Percy and I have been through about 5 or 6 years of subcommittee hearings, covering a wide range of topics including chop shops, arson, labor racketeering, the Teamsters Central States Pension Fund, the waterfront corruption, and methods of getting the Internal Revenue Service more involved in the fight against crime.

Mr. Chairman, I know that we are frustrated when we look at the record of 20 or 30 years ago and when we see charts of the McClellan hearings where we had individuals identified by name and face, and when we see these current charts today, we see the same people.

I happen to believe that the most potent weapon that can be used against organized crime and organized crime families, including newly emerging groups and narcotics dealers, is the weapon of the Internal Revenue Service.

Because of this subcommittee's hearings, we finally unshackled the Internal Revenue Service from several constraints which were passed as unintended effects of the Tax Reform Act of 1976.

There's one thing that organized criminals always touch, and that's the money. It's very difficult for law enforcement officials to catch the top-level dealers in narcotics transactions. It's very difficult to catch the people who organize and finance chop shops. It's very difficult to catch people redhanded who engage in arson for profit. It's very difficult to put in jail people who are engaged in labor racketeering. Occasionally, we are successful.

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* See p. 96 for the prepared statement of Senator Nunn.

The law enforcement agencies that we will hear from today all do a very good job under very difficult circumstances.

But the one thing that I believe we have to concentrate upon, whether in Chicago or Washington, D.C., or in Atlanta, Ga., is the money. We have got to go after the profits. We have got to develop sophisticated mechanisms of tracing money across State lines, and national borders. We have got to start placing the burden on those who are spending enormous sums of money, with no obvious income, or job, to account for their income. That is the way, in my view, to put fear in organized crime, and over a period of time, adhere to the constitutional provisions that we all hold dear, and yet, again, to protect society from what I think is a very cancerous disease that is continuing to grow.

So, Mr. Chairman, I am delighted to join you and Senator Rudman, I am delighted to work with you, and as we continue the work of this subcommittee. Senator Percy, I'm delighted to join you again on a marvelous spring day in Chicago.

Chairman ROTH. At this time I will call upon our vice chairman, Senator Rudman, who has a tremendous background and experience for this subcommittee, having served for a number of years as the attorney general for New Hampshire.

OPENING STATEMENT OF SENATOR RUDMAN

Senator RUDMAN. Mr. Chairman, thank you. I have a prepared statement which I would ask your permission to have included in the record.*

Chairman ROTH. Without objection.

Senator RUDMAN. Mr. Chairman, let me simply state that I think it's instructive to note that the hearings this subcommittee has held over the last several years have led to the introduction and passage in the Senate of very significant legislation to get at the very essence of the problem that Senator Nunn has addressed.

I speak, of course, of the Labor-Management Racketeering Act of 1982, jointly sponsored by Senator Nunn, you, Mr. Chairman, and by me. We hope it will pass the House this year. We have reintroduced it, and I'm sure it will again pass the Senate.

My point is simply this, that there are ways for States, as well as the Federal Government, to deal with organized crime. The evidence of racketeering in Chicago is overwhelming. The evidence of action in my own mind in terms of State laws is not exemplary. If this hearing has any purpose at all, it's one to adduce evidence that in some way will alert the people of this city to the threat of organized crime that is not only local, Mr. Chairman, but affects the entire Nation; and, second, to build a sufficient record to introduce legislation both at the State level as well as the Federal level, to help the people of this State and this country to rid themselves of this enormous economic burden.

Mr. Chairman, I'm looking forward to the witnesses that we have here today.

Chairman ROTH. Thank you, Senator Rudman.

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*See page 98 for the prepared statement of Senator Rudman.

At this time we will proceed with the witness list. I would say to all our witnesses that under the rules of the subcommittee you must be sworn. I would ask that—as is our custom—each witness summarize his statement, and the full statement will be included in the record as if read.

At this time I'm pleased to call Gail Melick, the president, and Patrick Healy, the executive director, of the Chicago Crime Commission.

Gentlemen, will you please remain standing, and raise your right hands.

[Witnesses sworn.]

Chairman ROTH. Please be seated.

First of all, gentlemen, let me thank you for being here, but, particularly, I want to express the appreciation of this subcommittee not only for the excellent work that you have done down through the years, the leadership that you have provided through citizen action in this most horrendous problem, but also I'm deeply appreciative of your aid and assistance in setting up these hearings today.

Will you please proceed.

TESTIMONY OF GAIL MELICK, PRESIDENT, AND PATRICK HEALY, EXECUTIVE DIRECTOR, CHICAGO CRIME COMMISSION

Mr. MELICK. Mr. Chairman, Senators: I'm Gail Melick, president of the Chicago Crime Commission. On behalf of the commission members and all of those interested in fighting what we believe to be an insidious invasion of organized crime into the daily lives of Chicagoans, we welcome you and thank you for providing us with this extraordinary opportunity. For the past 3 years the commission has been seeking such an opportunity to create higher visibility with the public and with the governments and their agencies for the many problems which organized crime brings to us.

While my crime commission office provides this opportunity to speak today, I can best serve this subcommittee by having the commission's law enforcement professionals detail the activities of organized crime in the Chicago area.

Patrick Healy, our executive director, will focus on the environment which allows organized crime to continue operating.

Bill Roemer, a former FBI agent and commission consultant on organized crime, will provide some history, the current organization and priorities of these sophisticated criminals, and their political ties.

Finally, Robert Blakey, Notre Dame law professor, former congressional counselor and crime commission legislative consultant, will offer a package of integrated proposals which we at the Chicago Crime Commission believe would equip both law enforcement and crime victims with the tools needed to meet the challenge of well-regimented and sophisticated organized crime.

Beyond this data, I can only offer this subcommittee the sense of citizens, both individuals and corporate that crime does pay in our country. Perpetrators of all manner of crimes, gambling, drugs, prostitution, fraud, theft, carry on their activities with enormous profits, little retribution, and at great cost to our communities. These costs

include the easily quantifiable out-of-pocket dollars spent on law enforcement and criminal justice administration, the higher than required costs of goods and services, such as auto insurance—and I was intrigued with the charts that Senator Percy put in front of us—and, perhaps more importantly, the social costs of such an environment we live in.

As a resident of the Chicago area and as an executive of Continental Bank, a major employer and taxpayer in Chicago, I am concerned and anxious that some concerted action be taken so that law enforcement agencies can move more effectively against organized crime.

I am also concerned that, given the tools, they do move more effectively.

Think about that designation: Organized crime. Perhaps that phrase developed in reaction to the lack of coordination which we seem to face in opposing this criminal element. We, in the business community, are continually frustrated by the bureaucratic constraints, lack of coordination, legal and administrative roadblocks which seem to exist, and which result in inaction and poor information flows.

Good information could be an important key toward acting against organized crime. It is rumored that some 700 companies are involved with organized crime, perhaps controlled by it. If the public had more than rumors, if such a list of organized crime-related firms, such as the one that Senator Percy mentioned a moment ago, their quasi-legal entities, and their interactions with legitimate businesses, could be produced and disseminated. If law enforcement agencies could communicate their knowledge to business people, perhaps those people could avoid contacts with such mob-infiltrated groups, report any overtures and information to the appropriate law enforcement agencies, and perhaps prevent them from raking profits from underworld activities and then laundering funds through legitimate businesses.

The Chicago Crime Commission was founded in 1919 by concerned business and civic leaders who felt that the crime problems existing at that time could be solved by highlighting the problems and mobilizing the community at large to make for swift, sure, and just punishment that criminals deserve; and it worked.

In the 1930's the commission continued this process. Angered by top gangsters' openly illicit activities, the commission published the first Public Enemies List, naming Al Capone as Public Enemy No. 1, a term which everyone in the country uses or has used in the last few years.

Such an open assessment of organized crime figures, and such publicity, was effective then, and could be now, since its basic businesses have not changed in 50 years. They are still the public's greatest enemy. Only the way they do business has been altered. They are more sophisticated, better managed, and better able to use business tools than ever before.

Our solution again is to highlight the problem, as you are doing through public hearings. This will mobilize the law enforcement community and the public to work together, motivate them to do the job, and, hopefully, provide them with some sorely needed tools, or, more importantly, some sorely needed encouragement to be more effective.

Professor Blakey will discuss in detail some rational proposals to thwart theft, fencing, and racketeer-influenced and corrupt organizations and to utilize a statewide grand jury, immunity, and electronic surveillance to further the interests of society. That is a very typical thing to say sometimes when the tools we use are the tools they use, and we do want to use them in the interest of society. The concern has been, of course, that they might be used otherwise.

History has proved that organized crime is unable to withstand concentrated publicity. I would comment, as Bob Wiedrich, a most knowledgeable Chicago Tribune reporter, did yesterday, that your brief stay in Chicago may lead citizens to wonder about the progress we can expect in the movement against organized crime. I am not one of those. I know you are here. I know you are serious. And I know you can be effective.

Your subcommittee is a privileged one, since it's a permanent subcommittee. I would urge us to consider today's hearings as just a beginning. We cannot let another 18 years go by. We cannot let another mob hit force the issue.

The legislative solutions we are recommending may be among a series of devices needed by law enforcement agencies to gain new momentum in the fight against organized crime. I truly believe that criminals are organized and that we are not.

But if and when we do get organized, if and when we set objectives for ourselves, if and when we work together on common goals, crossing Federal, State, and local lines, since, to your constituents, such lines are very hazy as they relate to law enforcement, we can win the fight.

The Chicago Crime Commission, its members, and your Chicago area constituents are glad you are here. As a result of a recent barrage of criminal activity, the Chicago area once again is becoming synonymous with organized crime. I urge you to help us gather the information, I urge you to help us disseminate the information, and to create the atmosphere, as well as help us develop the tools we need to fight this pervasive, insidious influence.

Thank you.

Chairman ROTH. Thank you.

We will hear from Mr. Healy, and then the panel will ask their questions.

Mr. Healy.

Mr. HEALY. Thank you, Mr. Chairman and Senators, I will ask that my statement and exhibit be admitted into the record as being read, and I will refer to a synopsis.*

Chairman ROTH. Without objection.

[The exhibit referred to "Gangland Style Murders, 1919–1983," was marked as "Exhibit No. 1," for reference, and may be found in the files of the subcommittee.]

Mr. HEALY. Thank you.

First, we wish to offer, on behalf of the crime commission and the citizens of Chicago, our full cooperation in your difficult task of trying to focus on the problem of organized crime.

My experience has been 25 years in the prosecutorial field, as a county prosecutor, Federal prosecutor, head of a national organiza-

*See p. 102 for the prepared statement of Patrick F. Healy.

tion of prosecutors, and currently 3 years with the Chicago Crime Commission. I am conversant with and feel comfortable discussing criminal justice problems.

The purpose of my testimony is to highlight one point, the raw and savage power of organized crime and to call to the attention of this subcommittee and the public, the contempt that the mob has for the law. I'm sorry to say that the problem that existed 20 years ago is still with us today. What we said then is pretty much what we can say today.

We have been keeping track of gangland slayings since 1919, 94 pages of them in your exhibit totaling 1,081 as we went to press yesterday. I'm sorry to say that list is already outdated. As your plane was landing, we had 1,082. We apologize for greeting you with a gangland hit.

Chairman ROTH. I take it the appearance of the subcommittee didn't put fear in the hearts of the mob.

Mr. HEALY. But doesn't that say something for the audacity of organized crime?

Chairman ROTH. It certainly does.

Mr. HEALY. Sheer contempt.

Chairman ROTH. Total contempt.

Mr. HEALY. Gangland slayings basically are done to rid one of competitors, to people who welsh on debts, to those who cooperate and inform, to those who stand in the way of ambitious labor racketeers. Organized crime knows one rule only: Power, greed, terror, and discipline.

The record here I'm sorry to say, does not reflect well on law enforcement. On the other hand, it does not reflect well on the public. One cannot point a finger at the other. We all must share the blame.

The public, I'm sorry to say, has a blasé attitude, one of apathy, such as what do we care, they are only killing each other. We cannot tolerate that attitude. If that is what they are doing in full view of the public—you can imagine what they are doing out of view of the public. You can imagine the message they are sending to the community. "We are in charge. Do something about it. We dare you."

Some people say, "Well, that's life in the big city. What do you expect when you go to Chicago, New York, San Francisco, Los Angeles?"

It may be life in the big city Mr. Chairman, but to the Chicago Crime Commission and the citizens of Chicago, we do not accept that. We will not tolerate it. We should not have to live under these conditions, and we ask for your help.

The murders that we have listed in the exhibit are only done to highlight a problem. The problem is the administration of the criminal justice system as an entity as it has addressed itself to organized crime. Therefore, we won't go into the facts of the murders.

Some of the problems that you should consider are jurisdiction. Law enforcement agencies are limited by their jurisdiction. When they reach the limits of that jurisdiction, they have various options: Stop, terminate the investigation, bring in another agency, or cooperate with another agency. That has problems. The cooperating or the new agency

might not have the professionalism of the requesting agency. They may not care. They may actually be counterproductive or corrupt.

Another problem that you have to consider is resources. You cannot fight organized crime with a periodic shuffling of manpower to meet a crisis. One-time investigations are not sufficient. We understand the demands for the taxpayer's dollar. We understand the pressure on the taxpayer's dollar for social services. We also understand the devastating effect that organized crime has on the social services, and society; to shortchange law enforcement is to be shortsighted.

PERSONNEL

You cannot fight organized crime with a general peace officer, the man who has been trained to handle citizen complaints, direct traffic, and other general peacekeeping duties. He must be highly trained; we do not have that at the local level.

You must have sophisticated accountants to follow the paper trail. You must have career prosecutors, not ones who are passing through, and, after 2 or 3 years, moving on to higher ground.

You must have intelligence experts. It takes years to develop your intelligence base, and develop a rapport with the people who will come to trust you. A constant reshuffling of personnel does not give you that expertise.

We should consider the true structure of organized crime, the people and companies which are being shielded. As interesting as the chart is that you will see, I would rather see a chart of people who have been left off. We can't seem to get behind the dummy companies, the front people, and the politicians.

MOB CONTROLLED COMPANIES

There's no doubt about it. The Chicago Crime Comission in servicing its members and contributors receives thousands of requests a year, about 4,800, from people who come to us and say, "We wish to make a loan," "We wish to write a policy," "We wish to buy this company. Can you tell us if they are organized crime controlled?"

We do what we can. You would be surprised the amount of red flags that come up just on the general information that we have.

Another area that should be considered are laws do not keep pace with the violations. I find it ludicrous to turn law enforcement agencies at the city, county, State, and Federal level loose on a hoodlum and after a deep investigation catch him in a misdemeanor and rejoice because we were successful. Something is wrong. We must analyze our laws to make sure that the sanctions equal the violation.

We should use more fines and confiscation of assets. The name of the game for organized crime is money. Take their money away, they are going to lose interest. That's an oversimplification; but they can easily do 1 or 2 years if you don't take their millions away from them. They will have somebody step in and do it for them. We must strip them of their ill-gotten gains.

We must review our laws—I don't think we need new ones—we must make them more amenable to the type of illegal conduct that is being pursued by the mob.

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PUBLIC ATTITUDE

You encounter a public attitude that a little crime isn't bad. "What's wrong with a little prostitution?" "What's wrong with a little gambling?" "Come on, now, aren't you being stiff-laced about it?" Things like that.

What you are really doing is planting and incubating the seed for organized crime. It's a short step from realizing that gambling laws are not enforceable to accepting money not to enforce them. We respectfully submit, Mr. Chairman, that we cannot take the attitude that a little crime is all right, that we just object to the outrageous violations.

I ask you to look at the record. The only thing that counts, whether it's in organized crime or the business community, is what is the record? I'm sorry to say the record is bad. We do not enjoy sitting here and criticizing the law enforcement community. We will do what we must on behalf of the citizens of Chicago.

But when you look at the record, who of note has gone to jail, not some soldier, but who of importance has gone to jail?

Has prostitution—and I don't mean the freelancers—has prostitution been curtailed? Is gambling stopped?

We just had the Super Bowl, which is the biggest gambling event in the history of this country. How many big raids have you heard of being made? Absolutely none. Every law enforcement officer will tell you the backbone of organized crime, the revenue, is gambling. Where are the troops? Where are they?

Labor—have the unions been purged? Isn't it a sad commentary that the working man is led by hoodlums? I don't think the average working man wants to be led by hoodlums. I don't think he has got much say, though.

The efforts at all levels, for the most part, have been a failure. After 20 years, I would like to be able to report a more positive picture, but I can't.

We must be careful when we paint this picture that someone doesn't say, "Well, maybe we need a national police force." I would suggest you resist that idea to your fullest. We don't need a national police force. The fight against organized crime belongs at the local level. We must start to hold local government responsible for their action or inaction. It's time to educate the people, demand more of the people, and, in turn, demand more of law enforcement.

Thank you, Mr. Chairman.

Chairman ROTH. Thank you, Mr. Healy.

I would like to announce that we have a very full day, with a number of excellent witnesses, so that we are going to have to keep very much on schedule to complete the hearings today.

It's my intent to, as we often do, forego lunch and hold the hearings right through until we complete them.

I would ask my colleagues on the panel that we keep our questions, at least in the first round—and I would hope that would complete it, because we will have authority to submit questions in writing if we don't complete them—to 10 minutes per Senator.

Senator PERCY. Would it be wise to start out and try a 5-minute round?

Chairman ROTH. Let's try 10, but maybe you are right, Senator Percy.

Senator PERCY. Ten leads to 12, 5 leads to 6.

Chairman ROTH. Well, rather than spend time on that, why don't we proceed.

Let me again congratulate the commission and the work of you gentlemen for what you have done. You have hit a number of points that, frankly, deeply disturb me.

Let me ask you this basic question: I think it was way back in the fifties that Senator McClellan, as chairman of this subcommittee, began holding hearings on organized crime in Chicago. And the story was outrageous.

What you are telling me today, some 30 years later—the story is still outrageous today. Our attempts to do something about organized crime have failed.

Now, let me ask you this question: Is there any area—is there any area in which they are involved in, gambling, racing, you mentioned the Super Bowl, prostitution, we know for a fact that they have dominated any number of unions, union racketeering—is there any one line of their activity where government has been successful in somehow containing or reducing the mob's activity?

Mr. HEALY. I'm sorry, Senator, I can't think of any record that we would be proud of.

Chairman ROTH. It's a dismal story, indeed.

Mr. HEALY. It is.

Chairman ROTH. I strongly agree with you that law enforcement must be the primary responsibility of local government, and that is one of the reasons we are here. We feel it's important, critically important, that State and local officials do more, together with the Federal Government. And I thought your comment was extremely interesting that, in a sense, disorganized government is trying to fight organized crime.

Now, what can we do to provide better coordination, better organization, between the various levels of government? I'll just throw these out. Either gentleman, please feel free to answer the question.

Mr. MELICK. Well, our Senator, Mr. Percy, is an experienced businessman, and many of you are, too. What would you have done in a corporation if, in fact, you were not achieving your goals because there was a lack of coordination? Minimally, you would find a coordinator, and that would probably be you, as the chairman of the corporation, if you were that.

I do believe that there are some aspects of this—we know—some aspects of organized crime activities that cross State lines, cross community lines, and in that sense no one takes responsibility, that is, the State and local level. If the people can be mobile and move from State to State or community to community, it's very difficult to assign responsibility, which is something that we ought to do.

Who's responsibility is it for the gambling joints out in Cook County, out of the city of Chicago? That is not the responsibility of the city of Chicago Police Department. It is the responsibility of the Cook County sheriff. And we should hold them accountable for what goes on in their area that isn't brought to justice, whatever that means.

Second, the FBI, with its intelligent, capable work force, given the right tools and given the right motivation, surely can counter organized crime. The people I know who are in the FBI are more intelligent than most of the people I know, and very capable. They, obviously, have not been given something. I don't know what that is. It may be motivation. But it surely is leadership in terms of the total issue.

You and I know how to coordinate activities. You ask me why they aren't, and I don't know why they aren't. But I would suggest the coordination is the responsibility at the Federal level, because it's impossible for Chicago to coordinate activities in other cities and States all by itself.

It would be nice if people would work together because they have a common purpose. They usually need some motivation. And the rewards ought to be there for those who deliver what we want them to deliver.

Chairman ROTH. Perhaps the subcommittee should hold some hearings on the lack of coordination and what needs to be done to provide better organization in the crime effort. We have, of course, touched on that generally, but never specifically.

In your testimony, you make, it seems to me, two points very well. One is that we have been unsuccessful in attacking the profits, the illegally gained money. You say you think the laws are adequate. Why are we not doing a better job at taking the profits out of organized crime, then? Or are our statutes on the books at the State and local, as well as Federal, levels adequate today?

Mr. HEALY. Well, Senator, not completely. We have, as you are familiar with, the RICO statute. And you'll be hearing from one of our consultants toward the end of the day, Mr. Blakey, who has drafted a package of legislation on behalf of the crime commission that we will submit to Springfield. The RICO statute should be used more nationwide. It's a Federal statute, and encourage adoption of it at the State level. There should be extensive use of the RICO statute. But I'm sorry to say I don't think most people appreciate what they can do with that statute, and I don't think they appreciate how valuable it is to get at the assets of organized crime figures. It's a complicated procedure, and there's a human tendency, what's complicated is to be pretty much ignored, or go the easy route.

Chairman ROTH. Would you agree with me that the RICO statute has not begun to be utilized to the extent it should to attack the infrastructure, to attack the assets of organized crime?

Mr. HEALY. Absolutely, absolutely.

Chairman ROTH. Is it underappreciation?

Mr. HEALY. Underappreciation, because I think it is misunderstood.

Chairman ROTH. Is it too complex?

Mr. HEALY. No, I just don't think the assistants who handle it appreciate the benefit that they can get if they operated to its fullest extent.

You know, when you talk with trial assistants, there's a tendency to try the case and be on with the next one. Don't get befuddled with all types of procedures and fines and remedies like that, because the excitement is in with the trial up in the courtroom.

Well, they have to be trained that the case is not over until the man is stripped of his assets, not just when he is in jail.

But I think the addressing of the RICO problem can be done with Justice and it can be done on a State level. It's an educational program, as I perceive it.

Chairman ROTH. Doesn't the RICO statute afford an opportunity to really, through conspiracy, attack the infrastructure?

Mr. HEALY. Absolutely, absolutely.

Chairman ROTH. And yet we see very little activity under that law.

Mr. HEALY. That's the message the superiors must get down to the assistants.

Chairman ROTH. I couldn't agree more.

My time is up.

Senator Percy.

Senator PERCY. I have just a few——

Chairman ROTH. We'll give him 5 minutes.

Senator PERCY. I'll take 5, but you'll give me 10.

I have just a couple of questions. Let's look at the industrial and economic climate of Chicago that I lived in all my life. We are losing jobs in the city. We need jobs desperately. As industry moves out, we build up the tax base of our suburbs, and we lose the tax base right here in the city.

Is there a relationship between the climate, the quality of life, that exists in Chicago and the desirability of industry coming in? Is there a relationship between concern and fear on the part of businessmen that they may be subject to shakedowns, they may be subject to all sorts of harassments, their concern about and their desire to come into Chicago? Does it cost the city of Chicago desperately needed jobs to have organized crime as prevalent and as flagrant as it is?

Mr. MELICK. Absolutely. How can we compete with Senator Nunn's beautiful climate if we don't provide a different kind of climate which perhaps he might not have. One of the climates we can provide to business is some sense of security for the business itself, that is, not having to pay an undue price in terms of taxes, or perhaps some gifts to political entities or people in the political body who require you to pay them a gift to get something done—I'll call it a gift—the subject or the problem of security for the assets you own, plus the security for your people. We are talking about organized crime. There's a lot of disorganized crime going on out there, too. And the people who work for me are my people. They are members of my corporate family. I'm concerned about how well we protect their environment so that they can be comfortable. The answer is absolutely yes, for Chicago. If we don't do something about it, we get the response—we will continue to get the response we are getting. We are not adding an awful lot of new businesses to Chicago.

Senator PERCY. Let's just talk about the quality of life in Chicago, then, which we constantly have worked to improve, and life itself, actually. If you have joblessness, if you have a third, 40 percent, 50 percent of minority youth out of work, roaming the streets, doesn't this lead to narcotics, doesn't narcotics then lead to crime on the street? Isn't the whole thing pervasive, if we can't create originally that climate for jobs, and put more people back to work?

Mr. MELICK. Yes. The thing that bothers me is that we know that. Our commonsense tells us that. And we are not unintelligent people.

We have at our disposal some resources. We can't seem to solve these problems. How do we think those people feel who are the total victims.? We are partial victims. They are total victims. How do we think they feel?

The thing we have to remember, they may be the total victim, but they are also a very strong voice, because they have a lot more votes than those of us who are lesser victims.

Senator PERCY. When the American public decides to do something, we really can do it. Jobs are important, and the House acted in record time yesterday to pass overwhelmingly a jobs bill, and we will in the Senate also, and the President will sign it.

The 10 percent withholding on interest and dividends, we got aroused about that. 250,000 communications I have received in 8 weeks, more than Vietnam, the Panama Canal, Watergate combined. I'm going to give out Bob Dole's home address after this.

I don't need to receive those.

Mr. MELICK. Give them his telephone number. That's what they want.

Senator PERCY. But why is it, with the crime commission looked upon as that coordinating catalyst, which I backed for a quarter of a century as an industrialist and 16 years in public life, why isn't it that we can't get the public more aroused about this problem, which so adversely affects the quality of life, the number of jobs that we have available, what we are as a city and community?

Mr. MELICK. Well, I think the better question is why can't we get all of us aroused? They already know that individually they can't do anything. What they don't know is that collectively they could solve a lot of these problems by taking care of me and you, that is, put people in office who really want to solve the problem, buy from companies that are helping to solve the problem.

Now, I think their problem is they haven't found the coalescing force. Our problem is neither have we. What we need is the coalescence. If everyone at that table and everyone behind me—and I can't see who all of them are—really went to work on this, plus the local law enforcement agencies and our Federal agencies, have we any doubt that we could win? I have none. I have some doubt that we will do what we have to do to bring the forces together and cause them to move toward the common cause.

Senator PERCY. This subcommittee will do what needs to be done.

Mr. Healy, can you, for the record, submit to us at any time convenient to you, but as soon as possible, whatever legislative suggestions and ideas you have, even those that have been orbited, how strongly do you back those, and what pressure can we put on our colleagues to commit them to law? What further steps do we need to take to strengthen the hand of law enforcement at every level to combat organized crime? Is that possible for you to do?

Mr. HEALY. Absolutely. We have a legislative package, and you'll be hearing from Professor Blakey on that today.

Senator PERCY. So we will be hearing later on?

Mr. MELICK. That's correct.

Senator PERCY. Thank you, Mr. Chairman.

Chairman ROTH. Thank you.

Senator Nunn?

Senator NUNN. Thank you very much, Mr. Chairman.

Mr. Healy, in answer to one of the questions from Senator Roth, you mentioned that you couldn't think of any particular area which has really improved in the last 20 or 30 years. In testimony we will hear in a few minutes from superintendent of Chicago Police Department, Mr. Brzeczek, he states on page 18 that in terms of sex crimes and vice, Chicago is the cleanest city in the country. Do you agree with that?

Mr. HEALY. Well, I haven't read the superintendent's testimony.

Senator NUNN. Well, let me read this paragraph to you. We are quoting him, so we will put it in the right context:

> We have also targeted organized prostitution and pornography in such a manner that impact is aimed at the organized criminal group which derive their profits from such endeavors. A recent article on the business of vice across the country appeared in the Chicago Sun-Times, entitled "Sex for Sale." This article, written by Rick Kogan, identified the City of Chicago as the cleanest big city in the country.

That's the end of the quote.

Mr. HEALY. Well, Senator, I would like to accept that statement and be proud. My hesitancy on that, is I'm trying to recall any important arrests or convictions we have had during the last 2 or 3 years in those subject areas.

Are we the worst in the Nation? No, we are not; but I don't know if we are the cleanest. All you have to do is just go up and down Mannheim Road, South State Street, Van Buren and you will see enough places that will indicate it still operates.

I don't know if I can answer your question. I can think of other cities who have problems greater than ours in those areas, but we haven't licked it by a long shot.

Senator NUNN. All right, let me ask you one other question. On page 17 of his testimony—I don't want to preempt him, and we will give him a chance to respond to this—but I want to have this addressed, and, again, I quote:

> Prior to 1980 there were 73 massage parlors operating in the City of Chicago. In February of 1982, through vigorous enforcement and targeting, the last such establishment was closed or forced to leave the city. There are now no such establishments functioning in the city of Chicago.

Mr. HEALY. I think that's basically correct; yes. But just because they cross the city lines does not mean they are out of the Chicagoland area.

Senator NUNN. You mean they are moving across lines, jurisdictional lines?

Mr. HEALY. Oh, are they.

Senator NUNN. You mean they are right outside the Chicago proper area?

Mr. HEALY. Are they.

Senator NUNN. Does that mean the suburban area?

Mr. HEALY. All over.

Senator NUNN. All right, now, that leads to the other question. There's an intriguing statement that the main responsibility for combating organized crime needs to be at the local level. My political

philosophy leans in that direction. But I have heard so many State and local people testify over 5 or 6 years that combating organized crime is simple beyond their capability. It seems to me if we are to accept your premise, that local responsibility for organized crime is the main area of responsibility, which I would like to accept, except that, we have to reverse the psychology in every local and State jurisdiction which I know anything about in America. All the local officials, all the State officials, basically say they are doing all they can do with their resources, they are doing what they can do under the law, and they have got to have a lot more help from the Federal level.

So, my question is, can we really, turn this around by pointing more at the local level, and, if so, what specific steps can be taken at the local level?

Mr. HEALY. Well, Senator, I think we have to make a distinction between fighting organized crime solely at the local level, and fighting it on the local level and also cooperating with other agencies at all levels. The responsibility, in my opinion, lies primarily with the local government, I would also be the first to state that coordinating liaisons with other agencies, Federal, county, whatever they may be are necessary. That's not surrendering the primary responsibility.

If local law enforcement officials give you that excuse, and you are willing to accept it, they are off the hook, aren't they? They say they can't do anything about it, it's the Feds' problem.

Now they go back and are not held to any standards. If I was the head of a Federal agency, I would resent having the locals dump their problems on me. They have their jurisdictional problems. They should work on them. But I don't think it's the primary responsibility of any Federal agency to come in, supersede, and assume the responsibility of a local unit of government.

Senator NUNN. Well, I agree with that, but the local people aren't accountable to the Federal Government, and whether I accept that explanation or not is almost irrelevant. The question is do the local people accept that explanation, do the local people hold him accountable, do the local citizens who vote hold him accountable? What I may or may not think about what the sheriff of Cook County or the police chief in Atlanta says, is almost irrelevant. It's only relevant to the extent of what I do at the Federal level, and there's plenty to be done there.

But the question is are local people going to get in the frame of mind around this country to hold local officials responsible? It seems to me that if that's the case, we have got to come up with a number of bold and innovative steps, from the citizen level to make that a reality, because it seems to me it is very, very far from a reality today.

Mr. HEALY. It is. It is far from reality, Senator, I'm sorry to say, and I think the citizens have to be educated as to where the responsibility does lie and demand reasonable performance of their local officials, I really do.

Senator NUNN. You mean you think this really should be one of the top issues in every local election, "what the new elected officials at each level are going to do about organized crime in their area?"

Mr. HEALY. Yes. If they can't perform, they shouldn't run. If they can't perform, they shouldn't be reelected. They are put in office to do one job, protect us. If they don't do it, step aside.

Senator NUNN. Mr. Chairman, I suspect my time has expired.

Chairman ROTH. Senator Rudman.

Senator RUDMAN. Thank you, Mr. Chairman.

Mr. Melick, Mr. Healy, it seems that things don't change. In 1963, O. W. Wilson, then the superintendent of police of the city of Chicago, testified before this subcommittee in Washington, and he said that the State of Illinois had the most stringent electronic eavesdropping law in the country, that it had to be changed, and further said that the law served the interests of hoodlums more than individual citizens.

I want to ask whether or not you agree with that comment 20 years later?

Mr. HEALY. I'm sorry, I must agree with it, yes. For all practical purposes, from the point of view of law enforcement, we do not have an electronic eavesdropping law.

Senator RUDMAN. Now, what effort has been made over the last 20 years in the Illinois legislature to bring in the model law that most States now have? Has that been introduced each year?

Mr. HEALY. I can't speak on behalf of each year. I do know it has been introduced periodically. I don't know if the bills have changed over the years. I would defer to Bob Blakey, who drafted the national legislation and is familiar with the problems on the State level.

It gets tough. No one wants anything to do with it.

Mr. MELICK. If you authorize eavesdropping by law, the problem is that anyone probably can be eavesdropped on, or, at least, that's the concern of legislators, as well as some of the citizens. It is a concern.

Senator RUDMAN. Well, Mr. Melick, I understand the concern, but I will tell you right now that I don't need too much explanation why you have the mess you have here in Chicago and the State of Illinois. I'll tell you why.

Mr. MELICK. Good.

Senator RUDMAN. You have it because you don't have electronic eavesdropping, and until you have electronic eavesdropping, court-authorized by your judges—you can put it in the State attorney general's office, like we have in New Hampshire—until you have that authority, you will never do anything about organized crime in the State of Illinois, and we can have hearings from now until the cows come home. Without electronic eavesdropping, you will have no successful prosecution of organized crime.

Now, I want to ask you this: There have been further allegations, both in things that I have seen and over the past, that there was a link between organized crime in the past and certain high political officials here in the State of Illinois, both local and statewide. Do you believe that?

Mr. MELICK. I believe that organized crime cannot exist if the political machines are doing the job the way the citizens think they are doing the job, or at least elect them to do their jobs. It is not possible to have strong organized crime if the local political bodies don't want it—or don't allow it, if I may choose a different word.

Senator RUDMAN. So, then, you would probably agree with me that some of these vested interests have had something to do with the fact that the State of Illinois does not have a strong electronic eavesdropping law?

Mr. MELICK. I have always believed that vested interests influence the laws that are coming out. If someone has a vested interest in not having an eavesdropping law, they will work hard to oppose it and put some money to the task.

Senator RUDMAN. Mr. Chairman, I just want to say that if there's any message that we can leave with the people of this community and the legislators—and I'm sure the great majority are decent, honest people, who have been given a bill of goods, sold a false argument that has to do with civil liberty—the fact is that there is ample history across this country in State and Federal jurisdictions—Professor Blakey, I'm sure, will testify to this—that eavesdropping laws, with adequate safeguards, limited in their scope, in fact, do not impinge on the civil liberties of the citizen who is not in fear of law enforcement.

Until you have such a law, you will never break the conspiracy of organized crime in the State of Illinois, in my opinion.

Mr. MELICK. Thank you.

Chairman ROTH. One final question, a followup on what Senator Rudman was asking. To what extent do you think public officials have been corrupted by organized crime? I'm not talking merely about their failure to do something. To what extent do you think, at the local and higher levels of government in this area, public officials are somehow tainted by the criminal syndicate?

Mr. MELICK. I don't have that measure, but I would suggest to you that wherever organized crime is thriving, to whatever degree, that is the degree to which the political entities have been tainted, or some powerful political entity. And where we have nearly no organized crime in the country, whatever the section is, it is probably due to the fact that someone hasn't been tainted, that is, someone refused to be. And where we have it, someone has been. It can't exist without that.

Chairman ROTH. If I can draw the logical inference from your answer, you are saying to me that the criminal syndicate is well and flourishing here, and it's well and flourishing here because there are at least some elements of public servants being involved, is that correct?

Mr. MELICK. Because we are all intelligent people, how could we conclude otherwise?

Chairman ROTH. Gentlemen, I want to thank you for your testimony. I particularly want to thank you and your commission for the yeoman service they are providing. We look forward to continued working with you. Thank you.

Senator PERCY. Mr. Chairman, before our witnesses leave, I may want the record left open. Going back to Senator Rudman's question on the relationship between organized crime and public officials, do you feel that Sheriff Elrod would have available valuable information that this subcommittee should have with respect to the possibility that public officials, in groups or individually, have knowledge of and are not doing what they should do and what their public office requires them to do about organized crime? If so, we did ask Sheriff Elrod to testify. Regretfully, he could not testify. And if you feel that his office would have access uniquely to that kind of information, then I would request that the record be left open so that a statement could be submitted for the record of this hearing.

Do you think that would be an advisable request to make of him in view of the fact that he could not testify today?

Mr. MELICK. The sheriff of Cook County is an important law enforcement official covering a very wide territory in which a number of things are happening that it is difficult for an honest citizen to understand. I would suggest that he would be a very fine witness.

Chairman ROTH. I would suggest——

Senator PERCY. I would ask, then, that we keep the record open so that he can be requested to submit testimony.

Chairman ROTH. I would suggest this to my distinguished colleague. It may well be that we will want to request his appearance before the subcommittee at some future date.

But as far as questions are concerned, we will leave the record open so that any Senator that may wish to direct further questions can do so.

Thank you very much, gentlemen. I appreciate your being here today.

At this time I would like to call Edward D. Hegarty, who is special agent in charge, FBI, Chicago, Ill.

Will you please remain standing, raising your right hand.

[Witness sworn.]

Chairman ROTH. Thank you. Please be seated and proceed.

TESTIMONY OF EDWARD D. HEGARTY, SPECIAL AGENT-IN-CHARGE, CHICAGO, ILL., FEDERAL BUREAU OF INVESTIGATION

Mr. HEGARTY. First of all, Mr. Chairman, let me state that on behalf of the men and women of the Chicago Division of the FBI, and Judge Webster, Director of the FBI, we thank both you and the members of the subcommittee for inviting the FBI to be here with you today.

There is no question but that organized crime is a very significant problem in the northern Illinois area, and we welcome this opportunity to make a few comments about its growth and development in areas that the FBI feels it has a definite responsibility to do something about.

I have a prepared statement, which I would hope the subcommittee would accept into the record.*

Chairman ROTH. Without objection.

Mr. HEGARTY. There are certain cases that we have had in Chicago over the past several-year period that are of such national import, I would like to read from my prepared statement with respect to those cases. I realize there are time constraints with the subcommittee, and I assure you I don't intend to read my full statement. The principal focus of organized crime in northern Illinois—and the Chicago Division of the FBI is responsible for the conduct of investigations in the 18 northern tier counties that comprise the Northern District of Illinois judicial district—the central focus of our organized crime effort is directed against an historical organized crime criminal cartel that bears the name "La Cosa Nostra," which is very active in Sicily as

* See p. 109 for the prepared statement of Edward D. Hegarty.

well as in the mainland of Italy, and in the major industrial centers of the United States, particularly in the Midwest and the eastern part of the United States.

La Cosa Nostra is a criminally oriented organization composed of persons of Sicilian, Italian—Napolitan Italian and Calabrese Italian—ethnic origin. It is a very, very small organization.

Historically, the primary victims of the organization in its growth and development in the United States were initially the Italians—the massive number of Italian immigrants who came to the United States.

Here in Chicago we have clearly identified an organization that is a small organization, but it is extraordinarily powerful with respect to its ability to impact upon other racial, other ethnic groups. That organization is referred to as the Chicago Family of La Cosa Nostra. There are eight key people that comprise the day-to-day administration of the Chicago Family of La Cosa Nostra.

In my statement I identify the positions as the Rappresentandu Ufficiale, or the Official Representative, of the Chicago Family, and that person is known to the FBI as Joseph Aiuppa.

The second person in command is Jack Cerone, who bears the title sottucapu, or underboss, of the Chicago Family of La Cosa Nostra.

A third key person is Antonio or Anthony Accardo, who serves in the position of consulieri or counselor or advisor, to the official representative of the Chicago Family, Mr. Aiuppa.

In addition, there are five other persons that comprise, in the Metropolitan Chicago area, the key management positions of that particular organization. These five persons are referred to in the Chicago metropolitan area as street bosses. The FBI for many, many years has known that these persons bear the title Capudecina, the heads of groups of 10 within the historical organization of La Cosa Nostra, which has been so active in Chicago roughly since the turn of the century.

The entire focus of the FBI, of course, is not just on the membership of that organization, but it is on key people that they interact with on a continuing basis that are involved primarily in the labor unions, involved in organizations that are responsible for the theft and the chopping up and the distribution of stolen automobiles, and involved to a modest extent with respect to a distribution of narcotics, and a host of other areas that they are continually involved in, such as the utilization of loan sharking practices, pornography, and prostitution. I would like to particularly emphasize their ability to form liaisons with corrupt public officials.

There are extensive persons in the Chicago area, that number over 1,000 people, that are continually engaged in different types of organized crime—or organized criminal conduct. Many of these persons have what is referred to as a street tax imposed upon them by members of organized crime, particularly by members of La Cosa Nostra, and that is also an area that the FBI is very much concerned in.

Labor racketeering has been one of the central focuses of the organized crime investigative effort of the Chicago Division of the FBI. I would like to very briefly discuss two cases, one which is referred to as the Pendorf investigation, relating to corruption in the International Brotherhood of Teamsters, in liaison with members of the La Cosa Nostra.

In addition, I would like to talk about the Laborers International Union of North America, another successful case which was developed here at Chicago and was successfully prosecuted in Florida.

The Pendorf investigation consisted of extensive court authorized wiretap coverage of Allen M. Dorfman in the office space occupied by Dorfman & Associates. The thrust of this investigation was to identify the influence of organized crime into legitimate business and labor unions and to develop prosecutable cases.

During the course of the wiretap coverage, a number of illegal schemes were uncovered. One of these schemes, now known as the Wonderworld Property scheme, has been successfully prosecuted here in Chicago, and the subjects are now awaiting sentencing.

The Wonderworld property was a parcel of land located in the exclusive Las Vegas Country Club Estates section of Las Vegas, Nev., owned by the Central States Pension Fund. This land scheme related to a conspiracy by Allen Dorfman and others to bribe a U.S. Senator, Howard Cannon, then chairman of the Senate Commerce Committee, in exchange for his commitment to delay and give consideration—to give the International Brotherhood of Teamsters' input favorable consideration to any legislation which would substantially deregulate the trucking industry.

As a result of this particular investigation—and many other prosecutions will flow from the investigation that was conducted here at Chicago—five persons were indicted and five persons were convicted, among them the late Allen Dorfman, Roy Williams, president of the International Brotherhood of Teamsters, and Joey Lombardo, a member of the administration of the Chicago Family of La Cosa Nostra.

A second case I would like to very briefly touch upon was the one involving the Laborers International Union of North America. The conspiracy charged that this group of individuals combined not only to obtain kickbacks for health care and life insurance franchises in Chicago and south Florida, but also planned a grand scheme wherein Joseph Hauser, through a life insurance company, would cover all of the building trade unions, and eventually all unions in the United States.

It was understood that all of the conspirators would be partners in Hauser's nationwide life insurance company. Similar but less fully developed plans were held for the health care field, of which C & A a Chicago-based optical and dental care company, would likely be the operating base.

As a result of this investigation, Alfred Pilotto, Alfred J. Pilotto, from Chicago, who is referred to in the Chicago law enforcement community as the South Side Street Boss, who is known to the FBI as a member of the administration of the Chicago Family of La Cosa Nostra, was convicted and was sentenced to 20 years imprisonment and is now incarcerated in the Atlanta Penitentiary.

Earlier I mentioned Joseph Lombardo. Joseph Lombardo is now under conviction in this judicial district, and his bond has been set very high, and he is imprisoned at this moment at the metropolitan correction center right here in Chicago, Ill.

I know this subcommittee is also interested in the outlaw motorcycle gang. The outlaw motorcycle gangs in the Chicago metropolitan area

are not as severe as they are elsewhere in different parts of the United States.

Nationally, the FBI's interest in outlaw motorcycle gangs ranks second to La Cosa Nostra investigative activity. However, that is not the case in Chicago.

I would like to cite, if I could, one case that came to the attention of the Chicago Division of the FBI during the year 1982. There was a motorcycle chapter known as the National Outlaw Motorcycle Gang organization, located in the Metropolitan Chicago area. The Chicago Office of the FBI, working with the Alcohol, Tobacco & Firearms Agency, developed a case which has had a major impact on criminal activity of the outlaw motorcycle gang in northern Illinois. This investigation was predicated upon the kidnaping of Betty Darlene Callahan and Thomas Eugene Forester from a motel in Asheville, N.C., and the murder of Forester in an abandoned mine shaft near Boone, N.C.

Callahan was then brought to the Chicago, Ill., area by Hattaway and Miller and placed with members of the outlaw motorcycle gang for prostitution purposes in order to repay a debt allegedly owed by her boy friend, Forester, to the outlaw motorcycle gang. Callahan escaped and contacted the Chicago Office of the FBI.

ATF was brought into the investigation, and a joint undertaking was begun. On May 27, 1982, Allan Hattaway, Garn Hansford Miller, Thomas R. Stimac, Martin J. Curran, Robert George Burroughs, and Rita Marie Stimac were each indicted by a Federal Grand Jury in the Northern District of Illinois on charges of kidnaping, conspiracy to kidnap, violations of the Mann Act, conspiracy to violate the Mann Act, and Federal firearm violations.

The trial in this case began October 18, 1982, in the U.S. District Court, Northern District of Illinois, and on November 5, 1982, the jury returned verdicts of guilty on all subjects except Rita Stimac, who received a directed verdict of not guilty.

Hattaway and Miller have both been charged in the murders of Thomas Forester and Lonnie Marshall Gamboa, where bodies were found in an abandoned mine shaft near Boone, N.C. Trial in this matter will take place in Asheville, N.C.

The home chapter of this organization has since moved from Chicago, Ill., to Jacksonville, Fla., where its members currently face Federal prosecution under the RICO statute.

I would like to touch very briefly, if I may, Senators, on an extraordinarily important aspect that should be considered in any discussion with respect to organized crime. The seedbed of organized crime has consistently been recognized to be sophisticated white-collar crime activity coupled with public corruption. Organized crime flourishes in the United States in certain sections because of its relationship to public corruption and sophisticated white-collar crimes.

I would like to mention a few such investigations conducted here by the Chicago Office of the FBI to give you some insight into the degree of corruption at the public level the law enforcement community has to expect and has to contend with on a daily basis.

One of the cases was the *Marquette 10* case, which was worked jointly by the FBI with the Internal Affairs Department of the

Chicago Police Department, which was worked in very, very close harmony between the Agent-in-Charge of the Chicago Office of the FBI and Superintendent Brzeczek of the Chicago Police Department. These 10 Chicago police officers were found guilty after a lengthy trial in this very courthouse of taking bribes from street criminals involved in major narcotics trafficking, and allowing the criminal activities to continue unchecked.

Another extraordinarily interesting case which was interesting to law enforcement which should have resulted in a hue and cry from the public about corruption in Chicago but which did not relate to the Cook County Board of Tax Appeals case, which represents a very clear example wherein bribes to public officials resulted in reductions of the assessed value of taxable property in excess of $180 million. To date 22 public officials, tax accountants, attorneys, and real estate developers have been convicted in the U.S. District Court at Chicago as a result of FBI investigations.

In 1979 and 1980, the Chicago Office of the FBI embarked on a very extensive and complex investigation relating to the building—excuse me—the bureau of electrical inspections services in the city of Chicago. As a result of that investigation, numerous persons have been convicted in Federal court as a result of bribe taking in connection with their public trust employment as building electrical inspectors.

Throughout this century, Mr. Chairman, the white-collar crime, public corruption, and their interrelated byproduct, organized crime, have thrived in northern Illinois. The Chicago Division of the FBI, working closely with U.S. Attorney Dan Webb, has recognized this problem, and is addressing it with vigor. Our office allocated approximately 50 percent of its investigative resources to white-collar crime, public corruption, and organized crime. This commitment will continue, and we expect further successes in the future.

Numerous joint investigations are currently underway between the FBI, with Superintendent Richard Brzeczek of the Chicago Police Department, and various members of the Chicago Police Department, the internal affairs division and the intelligence division, the detective bureau, and various area commanders.

Similarly, investigations—other investigations—are being worked by the FBI with other components of the law enforcement community in northern Illinois that will directly impact upon organized crime's grip, historic grip, on the northern Illinois area.

Thank you, very much, Mr. Chairman. I would, of course, entertain any questions that you might have.

Chairman ROTH. Thank you, Mr. Hegarty.

First of all, I would like to congratulate you personally for your splendid record and background in the area of fighting organized crime. I think the fact that you have been assigned this responsibility is a strong indication of the importance that the FBI attaches to doing something about organized crime in this area.

Let me ask you this question: As one who has served in a number of areas and has a great deal of expertise about crime, what have you learned since you have been here? Are you surprised at the extent to which organized crime is influential here to the extent it's pervasive throughout the local community? How does it compare with other areas in which you have served or have knowledge?

Mr. HEGARTY. Well, if I may go back a little over 20 years, Senator, I recall my first major assignment in the organized crime investigative area was in the State of Pennsylvania and the nearby State of New Jersey. I'm a native of Chicago. I grew up here. But I left home at an early age to go off to school and the service, and then I went into the Bureau, and have been wandering around the country for many years. But I recall as a young agent working in Pennsylvania, New Jersey, and some assignments in New York over 20 years ago, that the presence of organized crime in the Metropolitan Philadelphia area and elsewhere in the State didn't really surprise me.

But what really did surprise me was the extent of public corruption that I believed was ultimately responsible for the level of organized crime activity that was going on in that particular part of the country.

Returning to Chicago after an absence of over 20 years and seeing the very substantial changes which had occurred elsewhere in the United States with lessening of the amount of public corruption, with the type of legislation which has been passed in other sections of the United States since the late 1960's to combat organized crime, frankly, I was relatively shocked, if I might use that word, though I am an experienced law enforcement officer, at the extent and the total involvement of organized crime in Chicago in many, many aspects of criminal activity in which organized crime families are really not involved in, in other parts of the United States.

And I have to look at my home State, and I have to say probably the reason for it is the lack of effective tools available to the local law enforcement community. If you take a bricklayer, a very experienced bricklayer, and you tell him to go out and build you a brick wall, but you tell him that he can't use a plumb line and he can't use a trowel, and he can't use a level in building that wall, you can be absolutely confident that, despite the expertise of that bricklayer, he is not going to be able to build you a very good wall.

The tools that the FBI has used in recent years in combating organized crime, despite what some of the other speakers said with respect to the FBI's track record in the development of cases in organized crime, have, in fact, been used very, very successfully by the FBI all across the United States. In the past 2-year period, over 15 of the major La Cosa Nostra bosses out of the 25 La Cosa Nostra families have been indicted or convicted as a result of FBI investigations.

I believe Assistant Director Revell has appeared earlier before this subcommittee, and he gave you some statistical data with respect to the leadership of organized crime in the United States that's been the subject of prosecutive cases.

So there's no great mystery as to how the FBI is developing those cases. We are making extensive use of electronic surveillance. We are making extensive use of undercover operations. We are making extensive use of the Federal immunity statutes. We are making very effective use of investigative grand juries through the auspices of the U.S. attorneys' offices.

In Illinois, law enforcement is not able to do that. The law enforcement community in Illinois, despite the presence of a tremendous number of highly dedicated, professional, competent law enforcement

officers in the Chicago area, they just do not have the tools at their disposal, and when we——

Chairman ROTH. Are you saying that the reason they don't have the tools is because organized crime has corrupted the public sector, and for that reason they are not being supplied the necessary wherewithal?

Mr. HEGARTY. I'm saying that law enforcement, obviously, does not have the tools to do an effective job against public corruption and organized crime in the Northern District of Illinois, and the central——

Chairman ROTH. And that makes a significant difference between the extent of—earlier you testified, if I understand what you were saying, that organized crime is involved in activities here that is not true elsewhere.

Mr. HEGARTY. That's correct, Senator.

Chairman ROTH. And the reason that is, is because organized crime is so influential, in the public area, corruption of the public officials, is that correct?

Mr. HEGARTY. Yes, but I would like to clarify it just a moment, if I might. I have no way of knowing what is in the minds of the legislators that comprise the Illinois State Legislature, but I would believe from what I have observed that you can draw an inference that there has been a reluctance on the part of the Illinois legislative bodies to give law enforcement the tools that it needs to do its job in public corruption and organized crime.

Chairman ROTH. And that situation distinguishes the Chicago area from other sections of the country?

Mr. HEGARTY. Yes, it does, Senator.

Chairman ROTH. Let me ask you this question: You talked about, with great pride—and I think you should—the prosecution of a number of—15 bosses, I think was the figure—but let me ask you this basic question: The mere fact that we put these bosses behind bars, does that mean we can look forward to a reduction in the families, their activities, and organized crime?

Mr. HEGARTY. Yes, it does, Senator. I have been able to observe over the years that when the key persons involved at midmanagement and senior management positions in La Cosa Nostra are faced with vigorous prosecutive action, they substantially withdraw from their criminal pursuits.

Chairman ROTH. The thing that bothers me and has bothered me in our hearings before this subcommittee, is that there have been many excellent cases, as you point out, of people being successfully prosecuted, but we still have the organized crime chart here, with the big boss. It's almost like a legitimate business. You have the president up here, and then you have the various vice presidents and different names with different responsibilities. We succeed in a number of cases picking out this one or that one. Sometimes I think gangland is more successful in picking out more than we are. But the fact remains that the organization continues to function, and that the criminal syndicate, the family, whatever you call it, is still here. I mean, here, 30 years after McClellan holds hearings, we find that not only the same organization is still existing but is in new activities. We even find that

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some of the same criminals are holding down positions of responsibility. I read where a number of top crime officials are retiring and going to Palm Springs—I guess to play golf with Bob Hope and Jerry Ford, and all the others there—I'm not saying that seriously—but what bothers me is that this is all known to exist, and we seem to be unable to attack the basic infrastructure, and that's the reason I go back to my question: Can we really look forward to the fact that we have put behind bars 15 bosses, and some of them here locally, in labor racketeering—some successful things have happened, but we really don't see the basic infrastructure or the basic activity going down very substantially.

Mr. HEGARTY. I think you do in other sections of the United States, Senator.

Chairman ROTH. Well, you give me hope.

Mr. HEGARTY. La Cosa Nostra is an organization that just didn't grow up in the United States. It's an organization that existed in the world for many, many centuries. What we have here in the United States is exactly the same as has been going on in Sicily and the mainland of Italy for many, many years.

But to be able to stand here or sit here and tell you, Mr. Chairman, that we are going to be able to crush and put out of businesses and put in jail and for all time eliminate the La Cosa Nostra for what it has been determined to be historically, I can't tell you we are going to do that.

But I can tell you that we are going to bring very substantial pressure on the part of the FBI working with other components of the law enforcement community, and we are going to make it very highly unprofitable for them to engage in the types of activities they are engaged in, and I think you will see over a period of years that if the investigative efforts of law enforcement are coupled with realistic assessment, realistic legislation by the State authorities, I think you will find a substantial reduction in organized crime activity in northern Illinois.

If I may, Senator, I kind of anticipated that you would probably ask that question about organized crime. We have had an opportunity to look down the road and see light at the end of the tunnel when it will be gone, and I can recall a conversation that a team of agents that I was very proud to have been associated with over 20 years ago, intercepted, a conversation between three very powerful La Cosa Nostra members, all of whom are dead today, Angelo Bruno, the former boss of Philadelphia, Philip Charles Testa, former boss, and Antonio Rocco Caponigro, a major organized crime figure in northern New Jersey and New York. A fourth person was present at that conversation whom I would prefer not to name, Mr. Chairman. But they were discussing the various problems that organized crime was experiencing in the United States. This particular quote, I think, is in support of what I stated earlier:

Anthony—

The speaker was addressing his statement to Antonio Caponigro, who was murdered in New York City in 1980.

Anthony, La Cosa Nostra is a wonderful thing. A lot of people are a little disillusioned. We are having trouble with the government. We have a lot of things we should do. All that is true. But it is a wonderful thing, La Cosa

Nostra. You see what we are going through now. You see friends of ours say the FBI knows this. How do they know it? All these things disillusion you. See, La Cosa Nostra, for so many centuries, went through a lot of things like this. They always survived. I am discouraged myself a lot of times.

Well, back in 1962, December 1962, when that conversation was intercepted, we didn't have the electronic surveillance provisions of title 3. The FBI was not deeply involved in the use of undercover operations. We didn't have effective use being made of the Federal immunity statute. We didn't have the witness protection program.

And I think if you go back and look at the legislation which has been passed over the years as a result of the work that was done in the late 1950's and early 1960's, you will see that we are making progress, more progress in certain sections of the country than we are making in others.

In Chicago, I believe we can make very substantial progress if the State of Illinois would give local law enforcement at certain degrees, under tremendous controls, the comparable investigative tools that we in the FBI now enjoy and I believe are using very effectively in northern Illinois.

Chairman ROTH. My time is almost up. I have one final question. Do you know how long La Cosa Nostra has existed in the United States, how deep its roots are, and, even beyond that, how far back in history it goes?

Let me add one further question. I remember years ago the top, head bosses, honchos, whatever you want to call them, used to meet in various places in the country. Do we still have that kind of national syndicate that sits down from time to time in one way or another and sort of allocates their territories and areas of responsibility?

Mr. HEGARTY. Not since the early 1960's. Throughout the 1930's, the 1940's, the 1950's, they had a virtual license to meet and assemble, and no one was really watching them as closely as they should have been watched. Since that time, their national affairs are handled basically by an organization referred to as la commissione or the commission, which is a select group of official representatives of bosses drawn from the bosses of the 25 families we know to exist here in the United States. They have to meet on occasion to discuss problems that they have.

For example, the shooting here in Chicago of Allen Dorfman—Allen Dorfman's association with matters directly impacting on the International Brotherhood of Teamsters—was a decision of national magnitude. I'm confident that the members of the commission, although I cannot prove it, members of the commission had to have deliberated with respect to the action that was taken here in Chicago against Mr. Dorfman.

Chairman ROTH. My time is up.

Senator Percy.

Senator PERCY. Thank you, Mr. Chairman.

Mr. Hegarty, I want to join together with Senator Roth in indicating how pleased we are to have you back in Illinois. With your distinguished service in Springfield and Baltimore, your reputation preceded you.

Mr. HEGARTY. Thank you.

Senator PERCY. I would like to say something generally about the FBI, and particularly, say, the Abscam approach, which has been so severely criticized by some Members of Congress. I happen to think it was absolutely justified, absolutely essential, with the evidence the FBI had, and they knew there would be no way to prosecute public officials at high levels unless they used absolutely irrefutable techniques. The technique of having a witness—or a suspected person testifying against himself—and I went through and saw all of those films—is just compelling evidence that caused justice to be demonstrated, and I think particularly when people hold public office they have a very special public trust, and they are the last ones that can object, then, about a civil liberty being invaded, if they have demonstrated themselves that they have evaded it.

Now, I believe Senator Rudman has made a very fine suggestion, reinforced by you, and I intend to talk with the Governor, and to send copies of this transcript of these hearings to every single State legislator, with a letter indicating that the power to do something about organized crime rests in their hands. They are not giving our local law enforcement officials the tools that they have.

And I know in the case of my own family, in the murder of our daughter, not until the FBI came into that case did I really—did any of us in the family—really feel as though every effort was being exhausted to find out who perpetrated that terrible crime. And I am deeply grateful to the FBI. And I think we are particularly blessed to have a law that gives 10-year tenure to the Director. And to have a man of Judge Webster's quality to take off the robes of a lifetime appointment, and take a 10-year job, and then go back in the trenches after being at the lofty height of a Federal judge, shows his dedication. And I think he exemplifies the spirit, the esprit de corps, of the FBI——

Mr. HEGARTY. Certainly does, Senator.

Senator PERCY [continuing]. And I applaud what you have done.

Mr. HEGARTY. Thank you.

Senator PERCY. I want to ask you this question. OMB, in slashing a lot of budgets, has reduced the budget of the FBI in prior years. You have had to cut back investigators. You have new responsibilities. And yet you are working, it looks to be, with less assistance and backup and support and help, but are things now improving?

Mr. HEGARTY. Being an operational manager, Senator, there's no limit to the resources that you would like to have. Here in Chicago I have a very substantial staff. The agents are working extraordinarily long hours, they are working very, very hard. The morale of the troops is extraordinarily high. We are very, very pleased. We went through a period of 5 or 6 years there where the FBI was in the doghouse up in Congress, I guess. You saw the number of special agents in the FBI being very substantially reduced. There was a reluctance to utilize, over the period of my career, investigative techniques, which hindered the FBI's ability to do its investigations.

I have been recently advised that the number of special agents on board the Chicago Division of the FBI will be increased, for a variety of reasons, not just relating to our organized crime responsibilities, but

the other major responsibilities that I'm sure you Senators are aware of that we have here in the Chicago area.

I know I'm getting a significant increase in terms of the number of special agents that will be assigned at Chicago. We are getting very substantial support from Congress, very substantial support from the Justice Department, from the FBI leadership, particularly Judge Webster in Washington, and we are in good shape in the FBI. We are in better shape today than we have been in the 20-some years I have been with the Bureau.

Senator PERCY. If there are ideas that you can give this subcommittee for legislation that you feel is essential, we would very much appreciate receiving any specifics on that that we can go to work on.

Mr. HEGARTY. Well, thank you, Senator. In my written statement, I included some modest adjustments that we would hope that Congress would support with respect to title 3, electronic surveillance provisions, as well as some difficulties we find from time to time in financing some of our undercover operations. They are highly technical. I am not reflecting my policy. This is the policy of the Director of the FBI. And I include some of it, all of which, of course, I agree with, I included some of it in my written statement.

Senator PERCY. The superintendent of police will testify that he virtually closed every massage parlor in Chicago, and yet I don't think we have closed every chop shop. The chop shop affects everyone. It affects everyone's cost of insurance. They are paying very, very high premiums because of the skillful way that organized crime is operating in this particular area.

Is it your evidence that this is an area that organized crime has moved into, has taken over, they found it lucrative, and they are using the most sophisticated techniques now in automobile theft and disposal of those parts, and do you feel that—could you comment on the death of Mr. Chorak and comments—any comments you would care to make about Operation Chisel?

Mr. HEGARTY. Well, right now in the National Crime Information Center computer, which can store data, as you know, Senators, relative to fugitives, as well as identifiable stolen property, the NCIC data shows right now that there are approximately 55,000 missing cars that were stolen here in the metropolitan Chicago area. Chop shops are, no question, a major problem in the Chicago area. We have approximately right now $300 million worth of stolen vehicles that are being looked for here in Chicago.

Organized crime, with a capital "O," La Cosa Nostra, they don't really get involved in the day-to-day management of the theft of automobiles from parking lots or from garages or from streets. They get involved to the extent that they extort the lower level organized crime groups that are continually involved in the theft of automobiles and the chopping of automobiles, and they impose upon them a street tax.

Many of the murders which have been committed in the Chicago area in recent years arose from automobile theft and chop shop activity. Generally these murders resulted from a failure, inability, or cheating by lower level organized crime figures on their La Cosa Nostra superiors. They were cheating on the street tax which is im-

posed upon criminal cartels of the lower strength, the lower power base, that you have in and around the Chicago area.

Superintendent Brzeczek can be tremendously proud of the investigative effort that was made by his department with respect to the automobile theft activity.

Over the past several years here in the Chicago office, a task force was formed between a large number of special agents of the FBI, a large number of officers of the Chicago Police Department, detectives of the Chicago Police Department, and the case was code named Chisel.

As a result of that investigation, we have identified over 200 criminals who, on a continuing, almost daily basis, are deeply involved in the theft of automobiles in the metropolitan Chicago area, and their subsequent shipment out of State, or their dismantling and the parts being shipped out of State.

We have executed search warrants and seized over millions of dollars in stolen automobile parts, and we have seized very expensive automobiles, in the $15,000 to $25,000 range which were part of the chop shop type racket.

Extensive investigation is continuing. I can't go into it in any great detail. But I anticipate that very substantial indictments will be returned as a result of the Chisel investigation. The Chisel investigation showed that many of the cars which are stolen and chopped in Chicago, the parts end up in California and Texas, and as far as New York State. That was one initiative that we have had in Chicago with the Chicago Police Department.

In the south section of the city we have a second major investigation underway that is a joint effort, again, between the FBI and the Chicago Police Department, the Illinois Department of Law Enforcement, representatives of the Illinois Department of Motor Vehicles, that's pursuing an investigation of a completely unrelated organization involved in automobile theft activity.

In addition, there are other matters in Chicago that I cannot go into because they are pending cases that are deeply involved on a daily basis in automobile theft activity, and I can assure the chairman and the committee that the FBI and the local law enforcement community has mounted a very significant investigative effort, and I'm confident we will have very substantial indictments returned and convictions obtained, and hopefully persons filling some of our prisons.

At the present time, there are only about 14 people in the State of Illinois incarcerated as a result of automobile theft. I think that before the 12 months is out, you will find a substantially greater number of people in prisons in Illinois for automobile theft.

Senator PERCY. Mr. Chairman, I would like to note for the record that last night, Judge Webster indicated his full support for enactment of the Motor Vehicle Theft Law Enforcement Act, which I will reintroduce, which Senator Dixon has cosponsored, and this will give a lot of additional power to the FBI and the Federal Government, as well as identify the component parts that are so subject to theft right now, which will make it much easier to pick these people up.

I would also like to note for the record that my own analysis of organized crime in Chicago indicates that it's not limited to one particular nationality group. It's a broadspread, widespread group, includ-

ing every ethnic, religious, racial group, virtually all of them in Chicago. It's a much bigger, broad-based effort than is publicly and in the minds of the public generally identified.

Mr. HEGARTY. Senator, may I add just one very brief statement?

Your hearings——

Chairman ROTH. I'm going to ask that it be brief because time is passing.

Mr. HEGARTY. It will be. Your hearings that you held in Washington, D.C., in 1979 really served as the catalyst to bring the local and Federal law enforcement community together to really take on the automobile theft problem and the chop shop problem that is really unique here in Illinois, and as a result of the good efforts of this subcommittee, the tremendous results here in Chicago in that broad area, you can be very proud of it, Senator, because it probably resulted from your hearings here in Washington.

Senator PERCY. Thank you very much.

Chairman ROTH. Senator Nunn.

Senator NUNN. Thank you, Mr. Chairman. I'll take just take a moment.

Mr. Hegarty, I also join my colleagues in congratulating you in the work you have done in your career.

We have a chart which will be introduced later, and I will ask the clerk if she will just show it to you. That chart and the subsequent attachments to it list by name and even picture the people who are identified as leading the organized crime effort in this area.

Are you familiar with that chart?

Mr. HEGARTY. No, Senator, I am not.

Senator NUNN. Are you familiar with any of those names?

Mr. HEGARTY. The names, I'm familiar with the names, sir.

Senator NUNN. Does the FBI work with the Internal Revenue Service by turning over names to the Internal Revenue Service of people who they know to be organized criminal leaders, but who you cannot convict through actually normal criminal laws?

Mr. HEGARTY. We don't turn over any list, as such, or computer printout, as such, but we are in continuing contact, and we have a number of joint investigations underway with the Internal Revenue Service in Chicago. We work some joint loan-sharking cases. But to give them a computer printout of some type, we do not.

Senator NUNN. Does the Internal Revenue Service in this area do what we call net worth cases, where they actually show the living style, as Senator Roth said, living like Bob Hope and Jerry Ford, with no obvious source of income? Does the Internal Revenue Service handle many of those cases, particularly against organized criminals, that you know of in this area?

Mr. HEGARTY. Really, I haven't looked into it from that perspective, Senator. I know over the years I have heard its extraordinarily difficult to make a net worth case on an organized crime figure.

Senator NUNN. Why is that?

Mr. HEGARTY. Generally, they are able to show significant amounts of legitimate income. It's no problem for them to get loans, at least paper agreements, indicating that loans have, in fact, taken place, and money has moved from one hand to another, at favorable interest rates, et cetera——

Senator NUNN. It seems to me, though, you could trace that right on down. It appears like to me, we are spending so much time on the street, and I think the Chicago Crime Commission people made a good point about the local responsibility. It just seems to me that the local responsibility and the State responsibility has to be street crime, and the Federal responsibility has to be tracing money across lines, examining after net worth, going after people who are living like kings, who have no legitimate source of income, and all sorts of corporate pretzel palace-type arrangements and loans. That's difficult, and it takes years to make those kinds of cases. But the dividend at the end of those cases is huge. The only way you are going to get organized criminals at the top is to go after the assets, to go after the money.

The discouraging thing to me is I find law enforcement people who agree with that, but it takes so long to make the cases. You must have lawyers and accountants involved—a lot of times it's not street investigators who make those cases, it's the people with the green eye shades who sit there for hours and hours and go over books and records. That's not spectacular, but that's the only way, it seems to me, we are ever going to really penetrate this situation, go after the money, go after the assets.

I think it has got to be awfully frustrating to a police officer or someone who works for tips, or anything else, to have the Internal Revenue Service do an audit on them, and yet they see organized criminals who are identified year after year on charts sitting right here at a public hearing, on television, known to be leaders of mob activity, gambling, loan sharking, narcotics, prostitution, living like kings. Yet, this Government can't seem to do anything about it.

So I suggest that the Federal role more and more has to be toward these sophisticated efforts.

Now, the problem with that is at the end of the year, especially the first several years—you are not going to have the arrests that you did the last year, you are not going to have the number of successful prosecutions. It's going to take years, it may take 5 years before you can make one significant case, but we are never going to get anywhere, in my view, until we decide that the assets and profits of illegal criminal activity are going to be the major target. When we take those away, we may not cure all the street crime, but we'll certainly put a dent in the people at the top, because they always touch the money.

I think you would agree with that.

Mr. HEGARTY. Yes, there's no question, Senator, that in all of our investigative efforts, we try to apply the forfeiture provisions of the RICO statute to attach the assets.

Our primary thrust is—organized crime in the Chicago area is washing money—our primary purpose at the moment is to identify who these people are, develop evidence, and put them in jail, and, second, we will take a good hard look at the money.

The chop shop investigation that we have had has been basically the type of investigation that you are speaking of. It is our hope that very substantial forefeitures will arise as a result of that pursuant to the RICO statute, but it involves an extensive number of very bright attorneys, an extensive number of certified public accountants, in order to trace the paper trail left in some of these enterprises.

Senator NUNN. It's a different kind of expertise. We have had people on our staff that have that expertise. It's very unique. You don't find many people running around who can do that. It's a very tough investigative technique.

Let me just, Mr. Chairman, for the record, ask that the Internal Revenue Service district director in this area be requested by the staff to submit for the record their activities and their coordination with the other agencies, and particularly any net worth cases they have made against known organized criminals or known narcotics dealers in the Chicago area in the last 5 to 10 years. I'm very anxious to see that. I'm anxious to see what's happening since we made changes in the tax reform law. We no longer should have the excuse that the Tax Reform Act of 1976 blocks IRS's participation in this area.

Chairman ROTH. That's an excellent suggestion, Senator Nunn, and I so instruct the subcommittee.

Senator PERCY. Mr. Chairman, Al Capone would have never been jailed had it not been for the IRS in cooperation with the FBI.

Chairman ROTH. Senator Rudman.

Senator RUDMAN. Mr. Chairman, I'll be very brief.

Mr. Hegarty, I think you are probably as good a witness as any we will have today to answer this very brief question. You stated that roughly 50 percent of your resources were devoted to public corruption, organized crime, white-collar types of investigations; is that an accurate statement?

Mr. HEGARTY. Yes, it is, sir.

Senator RUDMAN. If the Congress, in a sudden reckless moment, were to take away your eavesdropping capability, take away your Federal grand juries of an investigative nature, eliminate the witness protection program, eliminate the immunity program, and I came to you as a manager and said, "All right, what do you want to do with those people? Should we keep them in this area or should we go and do something else?" What would your answer be?

Mr. HEGARTY. We would take a certain percentage of them and have them do what we did in the early 1960's when we didn't have the ability to develop those cases. They would plod along, but their level of productivity, their effectiveness, their efficiency would be substantially reduced. I could not support the number of agents I have onboard Chicago working these matters right now if those tools were taken away from me. I probably could only support maybe 10 percent of what I have right now. The rest of them, if I left them on those assignments, they would be on some type of glorified relief program, because they wouldn't be able to do anything effective.

Senator RUDMAN. So, as a practical matter, in a State that does not have some of these tools available—and I think you would agree with me that the electronic eavesdropping, properly controlled, wiretaps, court-authorized and reviewed, are probably the most important tools that we have—then really most of the efforts that they are spending, they are exerting a huge amount of labor for very, very tenuous and small results; do you share that?

Mr. HEGARTY. Yes, I do, very much, Senator.

Here in Illinois, though, we have been able to perform very, very effective working teams, incorporating both Federal resources as well

as local and State resources, in major organized crime investigations. We have been able to accomplish this under the leadership of superintendent Brzeczek in Chicago.

I wish I could tell you some of the extraordinarily exciting and interesting things we are doing in Chicago. I'm confident before the year is out, you will all be reading about many of the things that are being done here in Illinois today.

Senator RUDMAN. Thank you very much.

Chairman ROTH. Again, I want to express my appreciation. In closing, I would like to ask you to submit to the subcommittee, if you would, any suggestions or recommendations you might have as to a means of providing better coordination and cooperation at the various levels of government. I think this is something that could be extremely helpful, because it's obvious that you are going to have to marshal all those forces, and I am concerned that we have not done as good a job in this area as necessary.

Mr. HEGARTY. Fine. I'll prepare a memorandum and submit it to the chairman.[1]

Chairman ROTH. Thank you very much. I appreciate your being here.

Senator PERCY. Mr. Chairman, may I just associate myself with the support that Mr. Hegarty has provided the Chicago Police Department. My own working experience with him has been extraordinarily good. They are an extremely competent, well-managed organization. There's always room for improvement, but what you have said about them is absolutely true.

Mr. HEGARTY. Room for improvement in the Bureau, too.

Chairman ROTH. I'm going to recess the subcommittee for 5 minutes. We will start sharply at quarter of. The subcommittee is in recess.

[Brief recess.]

Chairman ROTH. The subcommittee will please be in order.

We are going to change the order of our witnesses. I will call forward at this time Richard Brzeczek, who is the superintendent of the Chicago Police Department.

I'm also going to limit questioning on the first round to 7 minutes, in the interest of conserving time.

Will you please raise your right hand.

[Witness sworn.]

Chairman ROTH. Please be seated. As I advised earlier, your statement will be included in the record in its entirety, and we would appreciate your summarizing it for the purpose of the panel.[2]

TESTIMONY OF RICHARD J. BRZECZEK, SUPERINTENDENT, CHICAGO POLICE DEPARTMENT

Mr. BRZECZEK. Thank you, Mr. Chairman.

Members of the subcommittee, in terms of summarizing the statement, I think that I have to echo many of the comments that were

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[1] The memorandum referred to was not received by the subcommittee at time of printing.

[2] See p. 133 for the prepared statement of Richard J. Brzeczek.

made here this morning that the subcommittee has already heard. The problem of organized crime in the Chicagoland area is pervasive, and it does, in fact, exist, despite the fact that some people tend to ignore its existence. The areas of gambling, narcotics, chop shops, prostitution, pornography——

Chairman ROTH. Would you put the microphone before you so we can hear you, please?

Mr. BRZECZEK. The areas of gambling, narcotics, chop shops, prostitution, pornography, infiltration of legitimate business, labor racketeering are just some of the areas that we have to confront on a daily basis.

I think that there are two major problems that we suffer from in terms of being able to deal with it from the standpoint of the local law enforcement agency. Both of these, I think you have already heard this morning, and I think, for the purposes of their importance and emphasis, I should reiterate them.

First of all, there's a general apathy on the part of the public concerning their participation in organized crime, the apathy being that, as you heard from one previous witness, Super Bowl activity, most people don't think it's wrong to make wagers on such sporting events, or on horse racing events.

The other impediment that we have, of course, as you heard here several times this morning, is our inability to conduct electronic surveillance as local law enforcement officers in the State of Illinois. There's no question that the highlight of former Superintendent Wilson's testimony in 1963 identified that impediment as the indispensable requirement for effective law enforcement in the area of organized crime.

What we have been doing—and you have heard the testimony of the special agent in charge of the Chicago division of the FBI—is that for the past 3 years we have been engaging in joint investigations, utilizing personnel from the police department and the FBI to deal with these sophisticated investigations of organized crime.

We have certain resources in terms of the skills of our personnel, and the FBI likewise has skilled personnel, with the additional resources of electronic surveillance, grand jury investigations, things like that, which assist us in pursuing these investigations.

I think it's important that the consideration which was raised 20 years ago about electronic surveillance be the primary or the foremost consideration of this subcommittee as it must make recommendations, as Senator Percy said, to the Illinois General Assembly. There's been a reluctance on the part of the general assembly in each session to even consider the introduction of legislation dealing with electronic surveillance.

In the past 3 years since I have been superintendent, I have informally talked to members of the general assembly who are sympathetic to and in support of law enforcement, concerning the introduction of electronic surveillance legislation. The response I got back was basically not to bother, because it wouldn't even get out of committee.

The general public reason given for it is that they do not want to take steps which may appear to impinge on personal liberties and civil liberties.

I think sometimes because of the success that the FBI has had in some cases in joint investigations we have conducted with the FBI, success that we have had in dealing with official corruption cases by using electronic surveillance and other resources, may be the real reason why there is a reluctance to consider legislation concerning electronic eavesdropping.

Chairman ROTH. Thank you.

One of the things that has particularly concerned me is that fact that we can identify many of the leading mobsters. On July 11, Jackie Cerone took the fifth amendment 40 times before the predecessor of this subcommittee, the McCellan committee.

In 1963, Chicago Police Officer William Duffy testified that Cerone was a member of the mob.

What has the Chicago Police Department done to investigate this situation since then? We are talking about more than 20 years.

Mr. BRZECZEK. Well, basically, I have to relate a situation that occurred about 3 years ago. Judge Webster, the Director of the FBI, was in Chicago on March 14, 1980, addressing the Executive Club in the city of Chicago, and he identified the organized crime activity in the course of his remarks to those in attendance.

I took the placecard that was in front of me while I was sitting on the dais with Judge Webster and wrote those categories down, and, at that time, questioned people in the Chicago Police Department as to what was going on in these areas. And to my dismay at that time—it was within the first 2 months of my tenure as superintendent—I received a negative response in each of those areas. It dealt, again, with gambling, chop shops, narcotics, things like this.

I asked them exactly what they were doing in that area. They talked about the fact that they were following around certain individuals, like Cerone, Aiuppa, Accardo, taking them to places where they worshiped, taking them to places where they eat, taking them to places where they congregate. There has been activity going on, and for all these years, I haven't seen any evidence-gathering to put people in jail.

As a result, we took a new position, took a new thrust toward organized crime, to begin developing investigations which would gather evidence to start putting people in jail.

I think that the testimony of the special agent in charge of the FBI, Mr. Hegarty, in terms of what can be anticipated somewhere down the road, we anticipate somewhere between 10 and 12 months, we'll bring to fruition the first wave of results from our recent activity in dealing in the area of organized crime.

Chairman ROTH. If I understand the thrust of your comments, what you are really saying to me is that up to about 2 years ago, there was very little, if anything, being done in these areas by the police department?

Mr. BRZECZEK. Other than maintaining surveillance as to where people ate, went to church, and congregated, and I think that's manifested by the fact that there's previous testimony from a member of the Crime Commission, when he raised the question rhetorically, "Who is going to jail?"

Chairman ROTH. Earlier witnesses have testified that the reason we don't see more results here in the past is that organized crime has cor-

rupted the public sector, that the only way you can be successful at the local level is if you have the support of your public officials, if you have the necessary laws and legislation on the books to enable you to investigate and prosecute.

I understand that you have made statements that if there's a change in public administration—in the city's administration, you will leave office. Would you comment on the problems of public corruption in this area?

Mr. BRZECZEK. Well, I think that the only comment that is necessary concerning the posture of any administration in this municipality is, one, that it has to be unequivocally opposed to any form of organized criminal activity and compromising official positions. It has to be unequivocally opposed to any such activity.

I think that when you look at the history of organized crime, official corruption is an indispendsable element to the success and continuation of organized crime.

However, I see some breakthroughs coming through. In my testimony—Senator Nunn referred to it—in the prepared text, about the activity that we took against massage parlors in the city of Chicago, which are organized crime controlled, and there are no massage parlors operating in the Chicago area.

In 1973 I was in charge of the gambling unit of the Chicago Police Department as a lieutenant. In terms of vigorous enforcement action, we found that we were not receiving the type of dispositions in the local courts that we desired after many days and sometimes weeks of investigation in the area of gambling. We identified a major target in terms of gambling in 1973, established Federal jurisdiction, took the case to the FBI, and worked it up with the FBI. And that investigation resulted in the execution of 53 search warrants one night, and when the grand jury sorted the case out, there were 11 people indicted, we had 11 people convicted, 9 of them went to the penitentiary for gambling violations, and the case of *United States* v. *Nixon* was affirmed by the seventh circuit.

It's that type of cooperative effort and that type of approach to making sure that there are no snags anywhere along the line that we can obtain successful results. At the same time, because of the continuation of the vigorous enforcement efforts, gambling has not been eliminated from the city of Chicago, but we find that a substantial majority of the major operations, the large wireroom operations that are doing tens of thousands and hundreds of thousands of dollars in special events like the World Series and the Super Bowl, or the Kentucky Derby, may be doing even in terms of millions of dollars of business, have all moved out to the suburban areas of the city of Chicago. That is one of the problems that we have in terms of jurisdictional approaches, because we are the Chicago Police Department, and investigations are taking us out to the suburban areas, which requires us to coordinate efforts with other law enforcement agencies.

Chairman ROTH. The thing that still concerns me is that we have witnesses, knowledgeable witnesses, who are saying that organized crime is more pervasive in this area because of public corruption. Some things are going on, and I'm delighted to hear, for example, that there's a number of initiatives in the police department to begin

correcting this. But the question I have is twofold. One, what do you see as the future of the Chicago Police Department? I mean by that, will the department be able to continue some of the worthwhile initiatives you have discussed? I would like to have you comment further, if you would. How are we going to attack this problem of public corruption? We are told that local enforcement officials can be successful if they have the backing of local public officials. We are told that that is not the case in many situations here.

Now, how are we going to correct that?

Mr. BRZECZEK. I think that the police department will continue to be successful in this area because it is a large, proud, effective organization. I think that what has happened in the past several years is that innovative initiatives have been established through joint ventures with Federal agencies and the department to deal with this overall problem of organized crime and the specific activities that organized crime deals with.

I think that what's required among law enforcement agencies, and particularly law enforcement officials, is that they cannot be influenced, they cannot be affected by a posture of public officials, elected public officials, who may think that another avenue of approach would be more appropriate, for example, forebearance from enforcing some of these laws.

Chairman ROTH. Let me be a little more specific. The House Assassination Committee printed some excerpts of FBI wiretaps in its hearing records. One conversation had ex-Chicago Congressman Roland Libonati talking about how he personally had killed six bills submitted by Attorney General Robert Kennedy. He told this to Pat Marcy and John D'Arco, two persons who are still active in this city. Many other questions were raised about political corruption in these wiretaps.

Let me ask you these two specific questions: How pervasive is Chicago-style political corruption today, in your view? Is there any way organized crime can survive without political help?

Mr. BRZECZEK. In terms of how pervasive it is, without making any type of quantifiable comparisons to a period of time in the past, I think pervasiveness is something that may not be quantifiable now. I think it's a feeling, subjective feeling. I can tell you that it does exist, but to what degree, a quantum of 5, a quantum of 10, a quantum of 500, I cannot put a specific number on it.

In terms of the future of organized crime, you heard testimony about the need to deal with it from the prosecutorial standpoint, you heard testimony about the need to deal with it from the standpoint of asset seizure, and the third dimension, of course, is you need to deal with it by attacking the corruptive elements that are permitted to continue to exist.

Chairman ROTH. My time is up, but I'm going to ask you to do what I asked the prior witness. One, I'd like to have, if you would, your recommendations as to how there could be better cooperation between the various levels of government, and, second, I would appreciate any further thoughts or comments you care to make on how we can attack this problem of public corruption.

Mr. BRZECZEK. Thank you.

Chairman ROTH. Senator Percy.

Senator PERCY. Superintendent Brzeczek, you have indicated that one of the arguments used by the State legislators that they can't pass enforcement laws that will strengthen the hand of law enforcement officials is that it invades the civil liberties area.

Now, we have to have a balance here. We had to do that at the Federal level. We achieved, we think, a better balance than exists at the State and local levels.

We took the position that the civil liberties of people to live free from fear of crime in business or on the street or wherever it may be was an overriding thing, and that we couldn't go around just protecting the civil liberties of say, organized crime and members of organized crime, and so we toughened up our laws.

Is it, in your judgment, possible for the State legislature to adopt laws that will protect the civil liberties of the average citizen but deprive the members of organized crime of some of the shields that they now have and the protection that they now have because of the lack of such legislation?

Mr. BRZECZEK. Senator, I think if the Illinois General Assembly adopted verbatim, with the exception of the identifying officials, because we are talking about the local level, but if the Illinois General Assembly adopted verbatim title 3 of the Safe Streets Act, which is the wiretapping statute at the Federal level, and permitted that activity to occur under the same constraints and with the same requirements that Federal agents have, I can guarantee you that within less than 2 years after passage, there would be major inroads, major impacts, made in the area of organized crime in this jurisdiction.

Senator PERCY. Do you think that would help us get at the bottom of this problem of the corruption of public officials which protect the corruption of organized crime then?

Mr. BRZECZEK. There's no question about it, because, as I mentioned, official corruption is an indispensable element to the continued existence of organized crime, and I think that there are a sufficient number of cases at the Federal level which demonstrate that corruptive influence in organized crime.

And if you listen to Judge Webster, who talks about 7,900 agents in the entire United States, plus the other responsibilities that they have, I have 12,500 police officers in this department, and if we can take some of our resources and hook them up with the tools which I think you are in support of, I guarantee that in less than 3 years after the Governor signs that bill into law, there would be major—major steps taken against organized crime and corruptive influences in this jurisdiction.

Senator PERCY. I would like to just ask you a question about the possibilities of corruption in organized labor. I start with the premise—and I'm sure you agree with it—that in my judgment most organized labor is honest, straightforward, and serving the interests of the public and their membership, just as I think so of business, that there is corruption in business, and there is corruption in organized labor.

We have heard, for instance, that the legitimate salvage yard dealers are being threatened if they don't cooperate with organized crime.

What advice would you offer to business people or to labor union officials who, in good faith, are intimidated, appear to have to give in to extortion schemes to stay in business? What should they do when they are aware of those facts?

Mr. BRZECZEK. The answer is very basic. They have to go to law enforcement authorities for help and to stop the practice at its beginning, and I think there are a series of cases here in recent years in which potential victims of extortion or other types of racketeering practices have gone to law enforcement authorities, and action has been taken.

Senator PERCY. One brief last question: Do you think that the—as provided for in my legislation that Senator Dixon is joining me on—that organized crime is involved in the chop shop operation, and that the numbering of critical parts on automobiles, the requirement that they be numbered, would help the police apprehend and crack down on this particular highly expensive, multibillion-dollar cost to the consumers?

Mr. BRZECZEK. I would have to answer yes to both questions. One, organized crime is, in fact, involved in the chop shop business. I would take it further by saying that organized crime controls the chop shop business. It's sad, but I think that Chicago is looked upon as the focal point of chop shop activity in the entire United States. I think that the legislation you are proposing would substantially assist law enforcement personnel in conducting investigations relative to these types of operations.

Senator PERCY. I'd like to say just personally to you I'm sorry that you have felt it necessary to submit your resignation. You have a very distinguished career behind you. And any help I can offer you in the future at any time, I would be very happy to do so.

Mr. BRZECZEK. Thank you very much, Senator.

Senator PERCY. Thank you.

Chairman ROTH. Senator Nunn.

Senator NUNN. Superintendent, just a brief question: What is the proper role of local government in your view, in fighting organized crime? The second question is, what is the proper role of the Federal Government? By local, I mean local and State government.

Mr. BRZECZEK. As I understand your question, I think that you may be asking me for an opinion concerning some previous testimony as to whose responsibility it may be for——

Senator NUNN. Right.

Mr. BRZECZEK [continuing]. Organized crime.

Senator NUNN. Right.

Mr. BRZECZEK. I think it's a joint responsibility. First of all, I think the condition of organized crime in a given community is directly the responsibility of the local law enforcement agency.

But when you hear testimony about organized crime activity transcending jurisdictional boundaries, and we can go ahead and execute a warrant out in suburban Cook County or any place in the State of Illinois, but, as you heard Mr. Hegarty testify to, in our chop shop operation, we went to the FBI and asked them for help in this area of chop shops. They were very interested. And the question came up

concerning jurisdiction, whether or not there would be any interstate activity.

And, as I can recall, I think it took less than a week to establish that, because they were taking parts all over the United States, not only to Indiana, but, as he mentioned, as far as New York State, Texas, and out to California.

I really think that the best approach is the pooling of resources at both the Federal and local level, and I think if the subcommittee, either formally or informally, would take a look at what the relationship is here between the local law enforcement agency in Chicago, the Chicago Police Department, and the respective Federal agencies, the FBI, the DEA, the Secret Service, AFT, et cetera, I think that you would find, both in structure and in practice, a model that can be applied to metropolitan areas throughout the country. I have never seen in my life the cooperation that is enjoyed here in this jurisdiction between Federal and local law enforcement officers. I think it's a blessing to the people of Chicago to have that posture.

This is not only a cooperative effort when there is only a third party target or objective. This cooperative effort also exists when we have to deal with the internal corruption problems in the Chicago Police Department.

I think that what's happening is that one of the—one the areas of hope, maybe, is that as we are getting new police officers and new agents into agencies such as ours and the FBI, you are finding, philosophically, less and less tolerance among individuals for corrupt activities. And I think that the era of having the unintelligent kind of buffoon and corrupt police officer that this country may have been accustomed to over the years is slowly fading into the sunset. We see a lot of young officers who will not compromise their integrity, will not compromise their public trust, and meet an issue head on, and report that kind of information to assist in furthering the investigation and dealing with it. We have seen it many times in the last couple of years in the police department.

Senator NUNN. Does your department have any direct relationship in turning, say, names over to the Internal Revenue Service of people who have very high incomes, and who are suspected of organized criminal activities, but who have not been convicted or cannot be convicted of any direct crimes?

Mr. BRZECZEK. Yes, we have an exchange program with the IRS, understanding the constraints upon the IRS concerning dissemination of information to us.

Senator NUNN. Some of those constraints have been lifted, but some of them remain.

Mr. BRZECZEK. That's the one thing——

Senator NUNN. Internal Revenue Service's blocks from that kind of effective activity have now been lifted by law.

Mr. BRZECZEK. That's correct, but I think the best example is that we have a multifaceted approach to narcotics investigations. We have our CPD/DEA task force here in Chicago, which deals with large-scale operations of narcotics trafficking.

We also have our continuing conspiracy squad which deals with the eight forty-eight continuing conspiracy as set down by Federal law,

and there you have an assistant U.S. attorney, DEA agents, and IRS agents, who actually, on a part-time basis, occupy office space at our headquarters building, along with Chicago police officers, who work on these continuing conspiracies and deal with the hierarchy of organized crime figures in the narcotics field.

Senator NUNN. Has that just started, or has that been going on for a number of years?

Mr. BRZECZEK. That has been going on for about 3 or 4 years.

Senator NUNN. Do you see any payoffs from it?

Mr. BRZECZEK. Yes, we have. Some of the substantial cases in this area, both from the standpoint of narcotics trafficking and official corruption, came out of those types of cases.

I think Mr. Hegarty's reference to our joint investigation where 10 police officers were convicted of protecting narcotics dealers came out of just such a case.

Senator NUNN. Could you furnish for the record the names of the cases where there's been successful prosecutions in which the Internal Revenue Service in this area played an important role?

Mr. BRZECZEK. I think I can do that.

Back, as I mentioned, in the days when I was in charge of the gambling unit, we established a relationship at that time with the IRS Audit Division, and every time we would make a fairly substantial seizure of records and/or money, the IRS would be asked to come in and would do the audit, and they would conduct their investigation and make their assessments under that 10-percent provision of the gambling statute, and it was a very, very effective tool, because while there may have been some problems with the criminal prosecution wherever it may have gone, there were substantial seizures of assets, seizures of substantial assets, such as buildings, automobiles, and other types of assets. So it works out very, very well.

IRS, I think, is an extraordinarily important agency because of the types of power that it does have under the Internal Revenue Code to deal with these specific types of problems.

Senator NUNN. Well, I would like to see those cases, if you could furnish them for the record.

Mr. BRZECZEK. Sure.

Senator NUNN. Thank you.

Chairman ROTH. Thank you, Senator Nunn.

Senator Rudman.

Senator RUDMAN. Superintendent Brzeczek, without discussing evidence, if there is any, or suspects, if there are any, because of what we are talking about today, do you have any theory on the motives for the murder of Allen Dorfman?

Mr. BRZECZEK. My personal theory would be that Mr. Dorfman, in anticipation of a substantial sentence coming from the Federal district court, the northern district of Illinois, presented himself as a risk for organized crime, their anticipation that he may be willing to provide information about the workings of organized crime in exchange for a reduced or lesser sentence.

Senator RUDMAN. Particularly that he would have had information to supply in the area of labor racketeering?

Mr. BRZECZEK. I think that Mr. Dorfman represented that element of organized crime—and this is my own personal breakdown—I think

that there are basically two functional components of organized crime, the muscle and the brains, and I think Mr. Dorfman represented the brains aspect of organized crime, and knew an awful lot about its structure and its workings and people in the appropriate positions, and, of course, that would naturally bring about the involvement of organized crime in labor racketeering, infiltration into legitimate business, and all the other unsavory activities.

Senator RUDMAN. And at his age and his success—financial success—in life, he, obviously, presented a very high risk that he might decide to provide evidence in return for some other consideration?

Mr. BRZECZEK. I'm not sure his age had anything to do with it. I think that even if he were a younger man, but based on his involvement and his position and the way he was looked to in terms of advice and counsel, I think he presented a very high risk.

Senator RUDMAN. Superintendent Brzeczek, we, I guess, pretty much agree as to what you need in this State in terms of making your law enforcement efforts and organized crime investigations more effective. My question is—you have known that before today, obviously, and everyone has—what have you done personally to attempt, through the associations of police which I know must exist in this State as they do in mine, to get the Illinois Legislature to address this problem forthrightly and hear your side of the story?

Mr. BRZECZEK. Well, with all due respect to the Illinois Association of Chiefs of Police, historically, they do not present a very effective lobby in connection with legislation that would prove supportive or beneficial to the police. Again, in the past several years, we have been organizing the chiefs to deal with these legislative problems.

There has been testimony by people from the Chicago Police Department and other police departments in the State of Illinois supporting the type of legislation I previously discussed. Unfortunately, none of it has ever been passed to give us the tools that we need.

I think that some of the comments of the subcommittee, Senator Percy's comments about the balance between civil liberties and the protection from the fear of organized criminal activities, is something that the public must be aware of and must support through their representatives and senators down in the Illinois General Assembly.

I think that as time goes on, I think as this issue continues in focus, either through the subcommittee's activities here or through our investigative efforts both at the local and Federal level, somewhere along the line, someone will see the need that to be even more successful; we need these additional resources.

Senator RUDMAN. Have you done anything personally? Have you testified? Have you communicated with legislators over the last 2 years, or however long you have been involved in police work?

Mr. BRZECZEK. I have not testified personally because there has never been any testimony to be taken in connection with such legislation since I have been superintendent.

But I have personally communicated with legislators, as I previously testified, who are sympathetic and supportive of law enforcement, as to the feasibility and possibility of getting electronic surveillance legislation passed in the State of Illinois.

Senator RUDMAN. Do you expect that the Illinois law enforcement community, meaning chiefs, officers, other groups, will strongly sup-

port the efforts of the Chicago Crime Commission should it choose to submit a legislative package to the Illinois Legislature?

Mr. BRZECZEK. I think that if the legislative package is such that it is conducive to the support of law enforcement and law enforcement efforts, the chiefs in this State will support that package.

Senator RUDMAN. Well, certainly, I assume they would support a tightly drawn model electronic eavesdropping statute.

Mr. BRZECZEK. It seems to me—and I may be oversimplifying the issue—but if we were able to take the title 3 legislation which has been tested in the Federal courts, and take that type of legislation, and enact it in Illinois, we would, I think at the beginning, overcome a lot of the problems, a lot of the tests that the statute would be put to through litigation later on, because we already have an existing statute which has been tested, and that's what I would like to see happen.

I also think that to prevent abuses in terms of using electronic surveillance, there are sufficient controls and sufficient constraints placed upon Federal law enforcement officials to make sure that electronic surveillance is only used in a proper fashion, and that's what I would like to see, that type of balance.

Senator RUDMAN. Finally, Superintendent Brzeczek, it's my understanding that due to some civil litigation over the last few years regarding the intelligence-gathering activities of the Chicago Police Department, that you really don't have a lot in your files in the area of labor-management racketeering and associated organized crime activities. Is that true?

Mr. BRZECZEK. That's correct, because in connection with litigation in the Federal District Court for the Northern District of Illinois, there were files that were either impounded or had to be purged as a result of that litigation. It basically emerged not so much as an attack on our ability to conduct intelligence activities regarding organized crime, but, to use that parlance of the plaintiffs, the plaintiffs' attorneys, and sometimes the media, it dealt with political spying

Senator RUDMAN. Well, are you making efforts now, with that order outstanding, through counsel of the city of Chicago to try to rehabilitate the methods and get back into the business of gathering intelligence on organized crime?

Mr. BRZECZEK. Yes, we are; yes, we are. We promulgated new guidelines, and, hopefully, those new guidelines will permit us to generate the requisite information that's necessary to conduct our investigations.

Senator RUDMAN. Thank you very much, Superintendent.

Thank you, Mr. Chairman.

Chairman ROTH. I want to thank you for being here today. I would like to underscore once more what Senator Rudman has been saying. It's a matter of real concern to us that in the area of wiretapping, you don't have adequate laws on the books. I would just point out that the problem of civil liberties is not peculiar to Illinois. It's one that concerns us everywhere. And in other principal States that have major cities with problems with organized crime, most of them have adopted some kind of legislation, so that one cannot help but begin to wonder whether part of the political corruption hasn't played a role in preventing these laws from being enacted.

We will, again, leave the record open for written questions to you. I want to thank you for being here and for your cooperation.

Mr. BRZECZEK. Thank you, Mr. Chairman.

Senator PERCY. Mr. Chairman, may I note the presence of one distinguished member of our audience, our former distinguished colleague in the U.S. Senate, Senator John Culver, from Iowa, who is here with us today.

Chairman ROTH. Yes. We are all delighted to see John and to have a chance to renew old acquaintances.

Senator NUNN. He's a former colleague. He's still distinguished, I might add.

Chairman ROTH. That may be more than we can say for some of us.

At this time, we will call forward William Roemer, who is a former special agent of the FBI and now serves as a consultant to the Chicago Crime Commission.

Mr. Roemer, will you please raise your right hand.

[Witness sworn.]

Chairman ROTH. Thank you. Please be seated.

As you have heard me indicate earlier, we will include your prepared statement in its entirety and would appreciate if you would summarize it.[1]

Mr. ROEMER. Yes.

Chairman ROTH. Having said that, we are pleased to have you here and look forward to your testimony.

TESTIMONY OF WILLIAM F. ROEMER, JR., CONSULTANT, CHICAGO CRIME COMMISSION, FORMER SPECIAL AGENT, FEDERAL BUREAU OF INVESTIGATION

Mr. ROEMER. Thank you, Senator Roth.

I am going to give a statement today on behalf of the Chicago Crime Commission. I should tell you that I was an FBI agent for 30 years, and for 24 of those years, I served here in the Chicago Office, most of which time I spent on the Organized Crime Squad. I was the senior agent on the Organized Crime Squad of the Chicago Division of the FBI most of the 1970's.

What I would like to do at this time is to present a statement that has three sections to it. The first section is a history of organized crime. I'm not going to spend any time on that. But I think that anybody who is a serious student of organized crime should have that as a foundation. Perhaps you and your subcommittee members could, at your leisure, go through that statement.

The second section that I'm going to give is the current status and structure of organized crime in Chicago as it exists today, and I would like to step to that chart, if I could, Senator Roth, and point out some of the things on there. I'll try to keep my voice up so that people can hear me.

This chart was prepared primarily by Bill Lambie, who is a former employee of the Chicago Crime Commission, and is now with Neal Hartigan, the attorney general of the State of Illinois, with assistance from me.[2]

I would like to point out on this chart the identities of those people who are currently the top leadership and the soldiers involved in organized crime, the mob, the La Cosa Nostra, the underworld, the outfit—whatever you want to call it. It's all the same.

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[1] See p. 157 for the prepared statement of William Roemer, Jr.

[2] The chart referred to appears in the prepared statement of Mr. Roemer, on p. 186.

On the top, we have Tony Accardo. Tony Accardo has been a member—a leader, actually—of organized crime in Chicago for parts of seven decades, if you can imagine that. Since the 1920's, when he was a hit man for Al Capone.

Next—we put Aiuppa up here as the boss. Joe Aiuppa has been the leader of organized crime in Chicago for about 12 years. At the present time, he has sort of insulated himself, to the best of our knowledge, from the actual leadership of organized crime, and is leaving most of the day-to-day operations of the mob today in Chicago to Jackie Cerone.

Jackie Cerone was the top boss of organized crime during the late 1960's and early 1970's, when we, in the FBI, convicted him of a gambling, extortion, ITAR violation, and sent him away to prison. He has now resumed—after some period of time, after he got out of prison—he has now resumed his leadership role in organized crime.

Tony Spilotro is over here. Spilotro leads the invasion of the West and is the liaison between the Chicago mob and their interests in Las Vegas. His star is falling at the present time, because he has been convicted. Ray Shryock is sitting out here today from the organized crime division of the State's attorney's office, and he assisted the FBI in the arrest of Spilotro. Spilotro is currently in jail in Las Vegas and about to come back to Chicago, where he hopes to get out on bond.

You heard Mr. Hegarty describe the fact that there are what he called five street bosses in the Chicago area at the present time. We refer to them here as capos, capo-regima; and first one is Joe Ferriola, also known as Joe Nagall, or Joe Nick. He is the most active, probably the most dangerous capo of the bunch. His field is gambling. He is the guy who is responsible for the gambling activities of the Chicago mob throughout the Chicago area.

The next one is Joe Lombardo. You have heard Mr. Hegarty today talk about Joe Lombardo. If Tony Spilotro's star is fading, then I would say Lombardo's star has faded. Because of his conviction in the Pendorf investigation. He is in the Metropolitan Correctional Center at the present time, just a couple of blocks away from here.

The next capo is Angelo LaPietra. He is in charge of the South Side of Chicago and is involved somewhat in the chop shop situation.

Vince Solano has the North Side. He is the capo in charge of the North Side.

Underneath him we have Joe DiVarco, Caesar DiVarco, as the top lieutenant of Salerno, and probably he has a capo status himself, because DiVarco is a very strong individual.

The next fellow, the last capo, is Al Tocco. Some people in law enforcement consider at the present time that Al Pilotto, who was recently convicted in the Laborers case that Mr. Hegarty talked about, some people consider that Pilotto is still the capo in charge of the southern surburbs of Cook County.

But we feel that since Pilotto is in jail, in prison, and no longer taking an active part, that Al Tocco has taken his spot, and so we put him in that spot.

One other fellow who we should very definitely talk about is Gussie Alex. When I first became involved in the organized crime program of the Chicago division in 1957, when the top hoodlum program was

set up throughout the country, when the FBI first became involved in organized crime investigations, he was the fellow who I was most interested in, who I was assigned to. He is still here today. His job is public corruption. His job is to maintain the liaison with those individuals who can help assist the Chicago mob insofar as politicians are concerned, labor leaders are concerned, legitimate businessmen are concerned, members of the judiciary—anybody who can lend assistance and give favorable treatment to the Chicago mob.

We have also named some 200 or more soldiers involved in organized crime in the Chicago mob today, and they are named here, and you have in your possession a statement concerning them. And I'm sure that at your leisure, you can go over that.

Thank you.

Chairman ROTH. Thank you.

Mr. ROEMER. What I would like to do now, if I may, is talk about the alliance; my third section is the alliance between crime and politics.

I feel that the umbrella which protects——

Chairman ROTH. If you would, just put the microphone a little further back.

Mr. ROEMER. I feel that the—is that better, Senator?

Chairman ROTH. That's better.

Mr. ROEMER [continuing]. The umbrella which protects the Chicago mob, and the linchpin which holds it together, is its alliance between crime and politics. Nowhere can organized crime be effective without the connivance of public officials. This would include law enforcement officers, legislators, judges, and key officials.

We believe that——

Chairman ROTH. Key elected officials?

Mr. ROEMER. Key elected officials, right, public officials, any kind of public officials, actually.

We believe that nowhere in the country has this been truer than in Chicago. It has been widely reported that the FBI engaged in an extensive electronic and other surveillance beginning in 1959 and ending in July of 1965. Information gathered during that period was spectacularly revealing, especially concerning the links between organized crime and this city's elected officials.

Some of this story has been told, some has not, but, in any case, it needs to be recited today to alert the citizens of this city to the kinds of things that have gone on in the past and are likely to be repeated in the future.

In 1959 the headquarters of the Chicago mob was located in a luxurious custom tailor shop on the Magnificent Mile on Michigan Avenue on the North Side of Chicago, the near North Side of Chicago. There, daily meetings took place of those people who were the leaders of the mob in Chicago at that time. They were Tony Accardo, Sam Giancana, Murray "The Camel" Humphreys, Gussie Alex, Les Kruse, Ralph Pierce, and particularly Frank Ferraro, who was Giancana's underboss, the No. 2 man in the outfit at that time.

We became aware, as we learned what was going on in that tailor shop, of the fact that there was a very close association between Murray Humphreys, who was the master fixer of the mob at that time, the successor to Jake Guzik, Greasy Thumb Guzik, and John D'Arco.

John D'Arco at that time was the alderman and the Democratic ward committeeman of the first ward of the city of Chicago. This is the ward that encompasses the Loop, and it's probably the most strategic ward in the city of Chicago.

It soon became apparent to us that Humphreys had a long association and a close association with D'Arco, and that he had a very domineering influence and control over D'Arco. One of the first things we learned was that Humphreys was very, very upset with D'Arco because of the fact that he had suggested to the Chicago mob that he could control Richard J. Daley when Daley was running as a candidate for the mayor of Chicago in 1955, and that the mob should support Daley over Martin Kennelly, who was the incumbent mayor at that time. The mob did support Daley, much to their chagrin, because, as they found later on, as Humphreys said: "We can hardly get our toes on the fifth floor," the fifth floor being the location of the mayor's office.

It was about that time that I had my first confrontation with John D'Arco. Giancana, who was then the boss of organized crime here in Chicago, the boss of the mob, had just returned from a trip he made to Mexico. On his possession, found by the customs officials who searched him, was a list of the names of all of the leading hoodlums in code, with a figure after each name. We found that—we later discovered that it was a list of the points that these mobsters would have in a racetrack for which Giancana had been negotiating in Mexico.

On the list was the name of John D'Arco, with the figure 1 after that. I, therefore, as an FBI official—this was in approximately 1960—I, as an FBI agent, went to John D'Arco in his offices in the regular democratic headquarters of the first ward across the street from city hall at 100 North LaSalle, and I asked John D'Arco, I said to him,

You are a public official, Alderman D'Arco. How do you explain the significance of this list? You, obviously, should be public spirited, and I assume that you are. Will you help the FBI determine the significance of this list?

John D'Arco became very angry at me and he asked me why I would embarrass him by asking him such a question as that.

I told him that I would rather embarrass him in a personal confrontation with him rather than go to someone else and ask such a question.

At that point his anger reached the breaking point, and he said to me, "Roemer," he said, "you cannot embarrass me. I'm too big a man in this town. The FBI is not big enough to embarrass John D'Arco in this town."

I was hard pressed to forget those words as the years went by, but as we worked on the first ward, we found that there was something much more sinister in the first ward than John D'Arco. We found that an actual made member of the Chicago La Cosa Nostra was actually running the first ward and giving orders to D'Arco, then the alderman and the ward committeeman. This man was under the discipline of Giancana and the mob, and was the sub rosa director of the affairs of the first ward. He kept a very low profile, as ordered, and actually had the title of secretary and administrative assistant. But we found that there was no doubt that Pat Marcy was the real boss of the first ward.

So we began—we asked Mr. Hoover if we couldn't begin work on the first ward, itself. And we found, as we did, that Pat Marcy and the first ward of the city of Chicago was actually the conduit through which the orders from the mob passed to those public officials, elected officials, members of the judiciary, law enforcement officers, to those who were under the influence and/or control of the mob. Marcy and the first ward was the conduit through which these orders passed.

Now, there came a time when Giancana became very disenchanted with D'Arco. He apparently felt that D'Arco was a liability in the city council. He was therefore considering ordering D'Arco not to run for reelection and stripping him of his post.

Murray Humphreys and Gussie Alex and Tony Accardo, who we felt were the real brains in the outfit, were against removing D'Arco, and so we felt it would probably be to the best interests of the city of Chicago and the FBI and law enforcement in general if we did whatever we could to make sure that D'Arco was replaced, that Giancana got his way.

We found out that he was going to have a meeting, Giancana was going to have a sit-down with John D'Arco, at the Czech Lodge out in North Riverside, a suburb of Chicago. Three of us FBI agents went out to confront this meeting. And I happened to be the lucky one. I found the meeting place. I rushed in and I saw John D'Arco alone with Sam Giancana, the boss of organized crime, the boss of the Chicago underworld, sitting alone, hunched over a table, obviously having a very serious conversation, so I burst into the room. We called and his associate called Giancana at this time Mo, from his true name, Momo. I burst into the room and I shouted, "Ho, ho, ho, it's Mo." He knew me very well from many confrontations which we had together. John D'Arco then jumped up, as I reached out for him with my hand, and I said, "Hello, John," and, of course, we knew each other. With the reflex action of a politician, he grabbed my hand, shook my hand, and smiled.

Well, Giancana then was extremely angered, and he reached out and actually kicked D'Arco underneath the table and said, "You (obscene), this is Roemer."

And then D'Arco's face turned ashen. He realized that he had been discovered in the meeting.

As a result, the next day, John D'Arco announced that he was resigning his post as the alderman, that he wouldn't run again, said he suffered a heart attack, and entered a hospital.

I would like to tell you that that was the end of John D'Arco. No way, because today John D'Arco is still sitting in the first ward headquarters as the Democratic ward committeeman of the first ward.

As the years went by, we continued in the FBI to develop information indicating to us that Pat Marcy continued to call the shots, which his superiors in the mob commanded, and that he continued to be the conduit through which the orders of the leadership of the outfit passed to those politicians and public officials who were under their control.

Informants continue to advise through the years that D'Arco and the current alderman of the first ward, Fred Roti, are the front men for Marcy, and, therefore, for the mob.

I left the FBI here in Chicago in May of 1978 and transferred to Tucson, Ariz., with the FBI, where I was involved in the Joe Bonnano

case. After the prosectuion of Bonnano I retired from the FBI after 30 years, in March of 1980. But I didn't retire from the investigations of organized crime. I opened up my own investigative consulting agency in Tucson, and I have returned some 15 times during the past 3 years to Chicago, where I built and maintained my contacts inside the mob with the people whom I had talked to before and who I continue to talk to and in law enforcement. For the past 4 weeks I have been doing the same in my role as special consultant on organized crime for the Chicago Crime Commission.

I would like to tell you that the city of Chicago is much better off today as far as the mob is concerned than it was 3 years ago, 5 years ago, 10 years ago, 15 years ago. I really can't tell you that at all. It is my finding since I have been back here that the Chicago crime syndicate is at least as bad as it ever was, and I think it's worse than it ever was.

I have heard Dan Webb, the U.S. attorney here, call the Chicago outfit members a bunch of street punks. I think he's undoubtedly right when he says that, if he is referring to the soldiers. However, I have had many, many confrontations and contacts with almost everybody who is pictured on that list, some of them dozens of times. And especially in the case of Jackie Cerone and Tony Accardo, I understand them and realize that they are very, very capable, very, very intelligent men. They never had a Yale or a Harvard education, but they are wise men, they are street wise men.

I would want to say to law enforcement in this area that you should not make the mistake of underestimating the current leadership of organized crime in Chicago. I think these guys are probably the most capable group of leaders which Chicago has ever had. And when I say that about the people who are on that list, I want to say it also about Pat Marcy. Pat Marcy is about 70 years old, give or take a year or two now. He has been in politics or behind the scenes in politics for longer than anybody who is a public or elected official here today. He has been calling the shots of the mob as far as politics is concerned for many, many, many years.

I would like to conclude by saying that it will be interesting to see how the election of a new mayor and the concomitant new administration will affect the Chicago outfit.

In analyzing their situation, attention could be invited to the fact that they have existed with some eight or nine Chicago mayors since Jim Colosimo back in the early 1900's. Under some, such as Big Bill Thompson and Jane Byrne, they have thrived. Under some, such as Tony Cermak, they have been hard hit. Under some, such as Kennelly and Daley, they were treated with a benign neglect. And yet, as of this date, the date of this hearing, they are as strong as ever, and probably stronger

Thank you.

Chairman ROTH. Thank you, Mr. Roemer. I want to express my personal appreciation and delight that at the end of your FBI career you didn't choose to go to Palm Springs and play golf.

Mr. ROEMER. Well, I have done that, too.

Chairman ROTH. But the thing that continues, sir, to concern me so much is some of the points that I have made earlier. We have this

table or organization over here, whatever you want to call it, and a few of the figures change, but, essentially, the infrastructure, the organization, continues. In fact, as you said, it's well and flourishing.

Mr. ROEMER. That's right.

Chairman ROTH. My question is we can identify, we know who these people are—and, as you say, they are bright, they are able, they are street wise—but why can't we attack the infrastructure? What is it that makes it impossible for us to make any real progress in decimating and attacking the infrastructure?

Mr. ROEMER. That's a question I wish I had the answer for, Senator. It's a good question that we have discussed among ourselves in law enforcement for the 33 some years that I have been involved, Senator Roth, and I wish I was intelligent enough to give you an answer.

The only thing that we have been able to do, we put most of those people who are on the top lines there—well, not most of them—many of them, we put away, and we hope that by that means that we can decimate the outfit. But we haven't been able to do that.

I don't think that I'm wise enough to give you an answer to that question. I wish I were.

Chairman ROTH. Again, it bothers me. As you say, Mr. D'Arco said to you, "I'm bigger than the FBI."

Mr. ROEMER. That's right.

Chairman ROTH. Now, I was brought up to think the FBI was tops, and I still think it is. I'm a great admirer of that organization.

But the fact is that, in a sense, he's right. There he is, you say, still exercising tremendous power, influence, corrupt influence, in the city, and we seem to be helpless.

Now, let me ask you this: Senator Nunn, when he was here, was stressing the income tax laws as one means, at least, of reaching the top people. My colleague and friend here on the left, Senator Rudman—only physically "left"—has stressed the fact that we don't have the tools here.

My question has been, time and again, do we really have the laws on the books to attack the infrastructure? Are the RICO statutes—do you see that as a possibility, this whole idea of conspiracy, as a way of not only putting a few people behind bars, but really doing something about the infrastructure itself?

Have we adequately utilized these laws that are on the books now?

Mr. ROEMER. I think we have. RICO, of course, is a statute that some people don't like to deal with because it's a very complex statute. It requires a great deal of investigation and implementation.

However, it's a very fine statute if it can be properly implemented.

Chairman ROTH. I know you are not a lawyer—or are you a lawyer?

Mr. ROEMER. I am a lawyer.

Chairman ROTH. You are. Could I ask you, is the reason, then, that the law itself needs to be simplified, if that can be done within the constitutional safeguards?

Mr. ROEMER. I think that would be very helpful. Professor Blakey, who helped write the RICO statute, will follow me as a Chicago Crime Commission representative, and I think you probably should address that to him.

May I answer your question just a little bit further, if I may, though. Senator Rudman asked some questions previously about electronic surveillance, and, if I understood the premise of his questions, he feels very strongly about electronic surveillance. I could not agree more than I do. You may consider me a loose cannon, but what I would like to say is, if you could document that, say, Tony Accardo or Jackie Cerone was an actual, active member of organized crime, if you could document that to a court of law, then I would think that is all that you would have to do in order to get an authorized—a title 3 surveillance. If you could do that, and then put on a microphone into the headquarters, such as the FBI did without authorization from courts back in the period that I was speaking of earlier, if you could do that, document to the satisfaction of the court that this man is an active leader of organized crime, I think then that you could probably go a very long way in fighting organized crime.

Now, I know the civil libertarians would jump up and down and scream right and left, because the way it is now, you have to have probable cause to show that a substantive violation is being committed before you can get court authorization. I'm saying, do away with that. Let's just have the documentation, proper documentation, for the fact that a man is a leader of organized crime, and actively involved, and that should be enough.

Chairman ROTH. I think you make a point that's well worth investigating at greater length, but let me go back. As I understand it, what you were saying is that the first ward is under the influence and control of the mob.

Mr. ROEMER. That's right.

Chairman ROTH. How many other wards can you say are penetrated, at least in some measure, and how many areas outside of the city? I gather one of the problems here is maybe the city has been successful in the case of reducing or eliminating massage parlors, but they are still out here, so that "ain't" much progress from the overall point of view.

Mr. ROEMER. That's right, Senator.

Chairman ROTH. So my question is, can you identify other areas where the mob, organized crime, the family, whatever you want to call it, is very influential?

Mr. ROEMER. Yes; I think I can do that. We have the 25th ward in the city of Chicago; we have a man there by the name of—do you want me to name names, Senator, when I go through this?

Chairman ROTH. Sure, please do.

Mr. ROEMER. All right. There's a man named Marco Domico, who is the Illinois State legislator, who is from the 25th ward. He is the heir apparent to the very elderly Vito Marzullo from that ward, and he is considered to be "Pat's guy."

Chairman ROTH. Would he be for wiretapping?

Mr. ROEMER. Would he be for wiretapping? I don't think he would be for wiretapping.

We also have Billy Banks in the 36th ward, and we have the 37th ward, and we have the 39th ward, which are very, very closely under the influence of the 1st ward, under the influence of Pat Marcy.

We have somewhat of a situation in the 28th ward, which is a West Side ward—these are all West Side wards. That is a neighborhood that has changed. It's the old notorious Patty Petrone ward, and there's a man named Bill Carothers there now, who has been the alderman, and he is running in a runoff at this time, as I understand it. He is not under the control of organized crime, but he certainly—he can be convinced, according to my best information. Those are the wards that probably would——

Chairman ROTH. How about outside the city?

Mr. ROEMER. Outside the city of Chicago—I am not really conversant with that at this time, except I would say this: In the city of Chicago Heights, Ill., which is in the far southern suburbs, we have a situation there. I mentioned Al Pilotto had been the captain—or the capo in charge of that area. His brother, Henry Pilotto, is the chief of police in Chicago Heights. Now, I'm not saying that Henry Pilotto is corrupt, but I'm just suggesting to you that we had a situation there where the capo in charge of organized crime and the chief of police were brothers.

Chairman ROTH. Woud one expect State legislators from these wards to be supportive of——

Mr. ROEMER. I can remember, when we were talking about this period of time when we had the electronic surveillances, I remember that we learned at that time that the mobsters were very much interested in—in fact, they sent a fellow by the name of Lester Kruse, Killer Kane Kruse—they sent him down to Springfield. He was the capo at that time—not the capo, because he wasn't Italian and he couldn't actually have that title—but he was the leader of the north—of Lake County, Ill., which is up in the northern suburbs of Chicago, and they actually sent him down to Springfield to coordinate their efforts. He brought his satchel down there with him to the general assembly and coordinated the efforts of the Chicago mob to defeat wiretap legislation at that time.

Chairman ROTH. You mentioned that something like eight mayors, I believe was your——

Mr. ROEMER. Eight or nine. I didn't count them all.

Chairman ROTH [continuing]. Eight or nine have lived with the mob, organized crime.

Is one of the critical problems we face here the fact that there has not been any real success in attacking the infrastructure because organized crime is seen as part and parcel of the city and the area, so you better live with it?

Mr. ROEMER. Yes; I think that's an accurate statement, Senator Roth. Some of the mayors did an outstanding—one of the mayors, in particular, Tony Cermak, back in the early 1930's, was very well-known, and, of course, some believe he got shot for his efforts against the mob.

Other mayors, such as Ed Kelly, Mayor Byrne, have welcomed with open arms John D'Arco into the mayor's office. It's my understanding that during the regime of Mayor Byrne, that John D'Arco didn't even need an appointment. He just walked in, passed anybody who was waiting, and walked into her office. I'm not 100 percent sure

of that, but that's what one of my sources, who is in a position to know and has been very reliable in the past, has told me. I think the premise of your question is well put.

That's the kind of thing we have lived with here, and I think that is one of the prime reasons that, when I came back here to Chicago after having been gone from the FBI, I was appalled and reached the conclusion that Chicago, as far as organized crime and politics is concerned, is at least as bad and probably worse than it's ever been.

Chairman ROTH. To what extent have the family, organized crime, used violence and threat as a means of imposing their will?

Yesterday we had a murder of one where there apparently was concern he might be squawking to the law enforcement people. But let's be realistic. Are a lot of people, public officials, living in fear—a fear of violence or threats to them, themselves, or their families?

Mr. ROEMER. I think it's probably a very subtle thing. I don't think that many public officials go down the street looking behind them and having bodyguards. But I think that is in the back of their minds to some extent, especially some of those who have come from areas where organized crime is thriving and is pervasive. I think so.

Chairman ROTH. Senator Rudman?

Senator RUDMAN. Thank you, Mr. Chairman.

I really only have one question. It's probably more of a comment than a question. After listening to all of the witnesses here, and for whatever the reason, lack of education, lack of sensitivity, lack of awareness, what you are really saying here, Mr. Roemer, is that the city of Chicago, the public here, tolerate organized crime.

Mr. ROEMER. Yes; I think they do. I think the public has become so warped and so used to public corruption and to organized crime in particular, I don't think that it surprises anybody, in the Chicago area when we have a murder of an Allen Dorfman or a Ken Eto or a Leo Manfredi, as we have had in the last couple months. I think that's why, Senator Rudman, this subcommittee is performing such a fine function coming to this town and arousing—I have a friend in the media who wrote an article the other day and said that because of the fact you are coming here for 1 day, that for that reason you are not going to be able to do much. Well, I very respectfully disagree with that, and I know that Mr. Weiland and the rest of your staff are doing an outstanding job. I think that your coming here will very, very materially assist in arousing the interest. I think if the media, who are here today, I think if they do the job that I would expect that they will do, because investigative reporters in Chicago have an outstanding reputation, I think you are giving them fodder today to arouse the passion of the Chicago public, and I think that that is a very, very important thing.

Senator RUDMAN. You see, Mr. Roemer, what you are really saying, what everyone here is saying, is that people tolerate murders in Chicago because they expect they are going to happen. They tolerate them in most big cities. But, of course, that's not what we are talking about here. What we are saying here to the people of Chicago and the people of this country is that organized crime costs them a huge

amount of money in their daily lives, and to the extent that there's political corruption in this city or in this State, how that affects tax rates, how that affects property tax rates, inflated contracts, rigged bids, sweetheart deals with labor unions, enormous burden on the taxpayers, but they don't see it that way, and I guess that's really what the great advantage of electronic surveillance is. I have not known of one major case involving organized crime in this country in 20 years, and I'm personally familiar with each of them, both State and Federal, that did not, finally, one, use electronic surveillance to make that case, with further corroboration, and, second, get the public outraged when they saw the transcripts of what public officials were saying about their tax dollars.

Mr. ROEMER. That's right.

Senator RUDMAN. And that's really the issue, and that's really why Chairman Roth brought us here, one, to get additional information, and, two, to hopefully alert the people of this community that either they better get smart or they are going to get poor.

Mr. ROEMER. I think you are right, Senator Rudman. I think that the Chicago—I'm away from it a little bit now—I lived here for 24 years. Now I'm out in Tucson, Ariz., enjoying the sunshine and the golf as Senator Roth says. I come back here, and I'm appalled. I see the people. I didn't realize it so much when I was a part of it, I don't think. But I see the people here compared to my State now, my adopted State of Arizona. They seem to be so apathetic. They just don't seem to realize the things that you have just said.

Senator RUDMAN. Well, I'm going to suggest to the chairman, who I believe already has it in his mind, that it well may be that there are some people that may require subpenas that ought maybe to come up to Washington at the call of this subcommittee and testify to some of the things. Much has been testified to here today. There's also a great deal that hasn't been testified to, that we are very much aware of.

So I want to thank you for your testimony. We are running very short of time. You are certainly an excellent witness and a courageous one, and I thank you for being here.

Mr. ROEMER. Thank you, Senator Rudman, Senator Roth.

Chairman ROTH. I think Mr. Weiland has a question or two.

Mr. WEILAND. One question, Mr. Roemer, before you go. The subcommittee has been involved in a long, in-depth investigation of the Hotel & Restaurant Workers Union.

Mr. ROEMER. I'm aware of that.

Mr. WEILAND. We have hearings scheduled for later this month and also in April. I would like to ask you, based upon your long experience with the FBI in Chicago, whether you can comment on testimony the subcommittee has received in the past which indicates there is a very close link between organized crime—and I mean Chicago organized crime—and the leadership of the Hotel & Restaurant Workers Union?

Mr. ROEMER. Yes. When I was here in Chicago, Mr. Weiland, we saw the rise of Ed Hanley. You are familiar with Ed Hanley. He is the international president of the union that you speak of. He was brought to the attention of Joey Aiuppa. Joey Aiuppa at that partic-

ular time—and we are now talking about 1960, give or take 3 or 4 years—he came to the attention and became associated to some extent with Joey Aiuppa, and Joey Aiuppa, then not a top boss of organized crime as he is today, but then in charge of the Cicero area of organized crime, and very active in the affairs of the Hotel, Restaurant & Bartenders Union, brought Ed Hanley into the union. I understand that Aiuppa has had a very close relationship and influence over Ed Hanley since that period of time up until the present time, although I haven't researched that in the last few months.

Mr. WEILAND. Thank you.

Mr. Chairman, I would like to point out for the record at this time that it was in conjunction with our Hotel & Restaurant Union investigation that we recently queried Chicago lawyer Sidney Korshak as to his availability as a witness before the subcommittee, and we have correspondence from his attorney indicating that if he were called, he would invoke his fifth amendment rights, and I would like to have that correspondence put in the record.

Chairman ROTH. I would say in response to what our staff director has said, and also what you were saying, Senator Rudman, that it is our intent to call further witnesses as a followthrough on these hearings today, and I think——

Senator RUDMAN. In Washington.

Chairman ROTH. Yes, in Washington, that's correct.

Mr. ROEMER. Thank you, Senators.

Chairman ROTH. Thank you. We again, appreciate your testimony.

At this time I will call forward Mr. Wheeler, Donald J. Wheeler, special agent in charge, Chicago office, organized crime and racketeering section, part of the Inspector General's office, Department of Labor.

Mr. Wheeler, will you please raise your right hand.

[Witness sworn.]

Chairman ROTH. Please be seated, and, again, your statement in its entirety will be included as if read.* The Chair would appreciate it if you would summarize your testimony.

TESTIMONY OF DONALD WHEELER, SPECIAL AGENT IN CHARGE, CHICAGO ORGANIZED CRIME AND RACKETEERING SECTION, DEPARTMENT OF LABOR

Mr. WHEELER. Yes, Mr. Chairman, I will.

I appreciate very much the opportunity to appear before you today and share with you and the other members of the committee the Department of Labor's assessment of organized crime's influence, domination, and control over certain elements in the labor movement here in Chicago.

I have been with the Department of Labor for a period of 13 years, during which I have been assigned to conduct labor racketeering investigations. During the last 10 years I have been assigned on a full-time basis to conduct labor racketeering investigations with the organized crime strike forces both in Detroit and here in Chicago.

*See p. 204 for the prepared statement of Donald Wheeler.

Corruption and organized crime influence and control in the labor movement in Chicago was dramatically exposed and detailed in hearings before the Senate Select Committee on Improper Activities in the Labor Management Field, chaired by Senator John McClellan of Arkansas during the period 1957 to 1959. Hearings and testimony before this subcommittee in the past 3 years indicate that there has been little change since the hearings conducted 20 years ago.

Mr. Chairman, with regard to the Chicago area, mob racketeers continue to dominate a large number of labor organizations in this city. At a minimum, union corruption is at least as bad as it was during the period of the McClellan Committee hearings, and, if anything racketeers have become more deeply entrenched in the unions they have penetrated, and more sophisticated in their methods.

The effect of all these conditions is a membership within these captive unions that is unlikely to jeopardize their personal safety and their individual jobs by rising up against organized crime influence and control of their unions. It is very clear that the union election process alone is not sufficient to rid these unions of the organized crime elements that prey upon them.

The importance of labor unions to the Chicago outfit and the depths to which they are used and controlled is easily demonstrated in the links of some members of the mob hierarchy to certain labor unions in this city. According to published reports, Anthony Accardo was recently identified by a government witness as the absolute ruler of the Laborers International Union of North America.

Two of five street bosses in Chicago under Jackie Cerone, the underboss, hold significant positions in laborers local unions. One of these is Alfred Pilotto, who is currently incarcerated as a result of his conviction in Miami for a kickback scheme in connection with labor union plans there. As a result of his conviction and incarceration, he has apparently been succeeded by Albert Tocco, according to testimony given before this subcommittee today.

I think the most recent and clearest evidence of the Chicago syndicate's extensive infiltration and control of the International Brotherhood of Teamsters and its affiliated pension and welfare benefit plans has come out of the recent trial of Roy Lee Williams, Allen Dorfman, and Joseph Lombardo. That trial, resulting in the conviction of all defendants, for a scheme to defraud the Central States pension fund, and for bribery of a U.S. Senator, along with the hearings leading up to their sentencing, have disclosed much information and evidence of the Chicago outfit's control and manipulation of the Teamsters.

I think it is particularly significant to note that despite his recent conviction, and while hearings were taking place concerning sentencing, Williams was reelected by his fellow union officials to a new term as the president of the policy committee of the Central Conference of Teamsters. Some would suggest that this is an excellent example of the historical inability of the rank and file members and the unwillingness of their leadership to deal swiftly and responsibly in removing corruption in their union.

Joseph Aiuppa, identified today as the leader of the Chicago outfit, is believed to exercise particular interest in, and responsibility over, the outfit's involvement in labor unions. He has had a tradition, a long

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tradition, of being particularly associated with the Hotel, Restaurant Employees & Bartenders International Union. It was Aiuppa to whom the Hotel, Restaurant Employees & Bartenders International Union issued a charter establishing local union 450, where HREU International Union President Edward Hanley began his career as a business agent. It was Hanley who, after becoming international union president in 1973, reappointed reputed Chicago mob figure John Lardino to a position with the international union. And it was Lardino who resigned his union position just several hours before appearing in front of the McClellan committee, where he invoked the fifth amendment privilege 60 times.

Mr. Chairman, it is estimated that within the jurisdiction of the Chicago strike force there are approximately 85 labor organizations affiliated with 20 separate international unions that are suspected of being associated with, influenced, or controlled by organized crime and racketeering elements.

Associated with these organizations are in excess of 40 pension and welfare benefit plans, with combined assets in the billions of dollars. Of these suspected mob-linked affiliates, we estimate that approximately 8 are associated with the Hotel, Restaurant Employees International Union, 16 with the Laborers International Union of North America, and approximately 25 with the International Brotherhood of Teamsters. Mr. Chairman, in my prepared text I have identified several cases that have been conducted over the past 4 years. They relate to the international unions that we think pose the greatest threat, and those three are the International Brotherhood of Teamsters, the Hotel & Restaurant Employees Workers, and the Laborers International Union of North America.

We cite these cases because they are representative of the very complex and difficult crimes presented in labor investigations, and they also underscore and demonstrate the extreme difficulty of law enforcement in rooting out these types of crimes, bringing them to the surface, and gathering sufficient evidence for successful prosecution.

As has been amply demonstrated today, the labor racketeering problem in Chicago is very pervasive and of long duration. Despite the dramatic successes of a few cases over the years, the problem remains an enormous one, which the Government has barely begun to tackle.

I am unaware of any continuously successful effort by any agency over the years to address systematically and on a sustained level what can only be described as entrenched corruption of certain labor unions in the city.

These remarks are not intended to be critical, but they are meant to demonstrate the extreme difficulty of enforcement in this area and our awareness of the need to effectively address them.

These types of cases can only be made if the responsible agencies commit themselves to maintaining labor racketeering investigations as a high priority. This commitment must be expressed in the assignment of the most experienced and skilled investigators and prosecutors in sufficient numbers to work together uninterruptedly as a team from the very day an investigation begins. All responsible agencies must be able to bring to bear on this problem the tools and resources commonly available to modern law enforcement and criminal investigation.

I think we have heard a great deal of testimony today about the need for sufficient tools for law enforcement to attack these very formidable problems, and I am certainly in agreement that perhaps there should be some attention in this area.

I think, in closing, I would like to point out, to emphasize, if you will, that the vast majority of labor unions, pension funds, and welfare benefit plans in Chicago and Illinois are honestly run by officers, trustees, and employees that go about the business of representing their members and advancing the welfare of the American people in a lawful manner.

My remarks today are reserved for the very few who have and continue to do so much harm to the rank and file members of the labor movement, the business community, and the economic well-being of this country.

Thank you, Mr. Chairman.

Chairman ROTH. Thank you, Mr. Wheeler. Again, you paint a rather dismal picture. I understand what you are saying is that once organized crime takes over a particular union—and, fortunately, that has been somewhat limited— but once they take it over, at least in this city, we have never been successful in eliminating that criminal influence, is that correct?

Mr. WHEELER. Yes, Mr. Chairman. I know of no local union in this city that has been taken over where the grip of organized crime has been successfully attacked. Most of the labor unions in this city that have been infiltrated and penetrated by organized crime have a long tradition. It was years ago that they were penetrated. They have been under the control of organized crime for years.

Chairman ROTH. I must say I had one before my committee, subcommittee, in Washington, one former member of organized crime just sat up in front of me behind a screen and said, "There's nothing you can do."

Are you that pessimistic?

Mr. WHEELER. No, I am not, Mr. Chairman. I think that in a number of other cities and a number of other locations, and even in this city, there has been progress made. I think the commitment has to be maintained. I think the resources have to be committed to the problem. I think resources that are committed to the problem have to be given the tools to get the job done.

It's a very pervasive problem. There are no simple solutions to it. But it's one that has got to be dealt with.

Chairman ROTH. You are familiar with the legislation that Senator Nunn and others have been pushing to prevent racketeers who have been convicted from continuing their role while the conviction is on appeal? Would that be helpful?

Mr. WHEELER. Yes, Mr. Chairman, very definitely. I think the provisions of the Labor Management Racketeering Act—I understand it was S. 1785 in last year's Congress—provides a number of provisions that would eliminate individuals convicted at the district court level from holding their positions, as they exhaust their appeals.

Chairman ROTH. But, again, let's say we succeed, and I think that's a major step forward, but the fact remains that the people who follow up the line of organization continue to be members of organized

crime. Now, how can we prevent—how can we attack the infrastructure so that once you put somebody behind bars, he is not succeeded by another?

Does that require trusteeship or something?

Mr. WHEELER. I think additional use of the trusteeship provisions, I think use of the civil forfeiture provisions of the Racketeering Influence and Corrupt Organizations Act would go a long way.

There is currently a suit in New Jersey regarding Local Union 560 of the Teamsters and the Provenzanos that is applying these provisions.

I think a number of these laws should be used, and used more widely in terms of eliminating corruption from labor unions.

Chairman ROTH. This subcommittee, as you know, is in the process of investigating the hotel workers. Do you have any evidence or testimony as to the role some of the local figures are playing in this area with respect to unions in other regions of the country?

Mr. WHEELER. Yes, Mr. Chairman. I think that one of the best examples we can give is Allen Dorfman, who was indicted on three occasions, convicted twice in connection with schemes to defraud the Central State Pension Fund. Shortly before he was slain here in Chicago, he was indicted in San Francisco for a scheme involving the defrauding of six welfare benefit plans associated with the Hotel & Restaurant Employees Union.

I believe this is representative of the extensive power and control that the Chicago outfit has over labor racketeering in general.

Chairman ROTH. How about Mr. Hanley?

Mr. WHEELER. Mr. Hanley began with the Hotel & Restaurant Employees Local 450 here in Chicago. That was a local to which Joey Aiuppa was issued a charter. He has, upon becoming president of the international union, placed on his payroll a number of individuals reputed to be organized crime figures.

He has established a power base out in the area of Palm Springs where Anthony Accardo and other individuals from Chicago reside a good portion of the year.

Chairman ROTH. The resort area of organized crime.

Mr. WHEELER. Apparently, Mr. Hanley likes to play golf, too, sir.

Chairman ROTH. My final question is, it's my understanding that you have served in a similar capacity in Detroit, as well as here. Would you compare the success or failures of these two regions, and if there is a difference, as to what accounts for those differences?

Mr. WHEELER. Yes, Mr. Chairman. I think making a comparison is very difficult, but I know here in Chicago that the problem is a much larger problem, it's more pervasive. It's been in existence much, much longer. The areas that organized crime controls are much, much broader than they are in Detroit.

I think for all of those reasons, the problem that we face here in Chicago is much, much more difficult. The problem of organized crime, I think, is interwoven in the fabric of this community, and that is not the case nor the situation in the Detroit area.

Chairman ROTH. Does that mean public corruption?

Mr. WHEELER. I think that also includes public corruption. I think Mr. Roemer very aptly set forth information concerning the asso-

ciation of certain people in public office with organized crime. I think that has a lot to do with it.

Chairman ROTH. Senator Rudman.

Senator RUDMAN. Thank you, Mr. Chairman.

Mr. Wheeler, I just have a couple questions. I think that your testimony covered a number that I had.

You know, we have had a very interesting, long history involving the Department of Labor's experience with the Central States Fund. There have been extensive hearings before our subcommittee, and many conferences to insure that the working men and women who are beneficiaries under that fund, in fact, have a fund that's worth something when they are ready to retire.

I wonder whether or not you feel that after all of the things that have been done by the Labor Department and the result of a number of hearings, whether or not it is now difficult, if not impossible, for some of the old mob to infiltrate, and somehow get their hands on some of these funds.

Mr. WHEELER. Not at all, Senator Rudman. I think that a good deal of work has been done in terms of the Teamsters Central States Pension Fund. And I think that it appears as though there has been a good deal of success in removing that element.

But I think that the assets of pension funds in general are still the most lucrative source of illicit revenue for organized crime figures. I think they have turned a little bit from pension funds to other areas, and one of these areas that I think is very pervasive and is becoming increasingly penetrated by organized crime is the area of prepaid dental plans, medical plans, optical plans. These are new plans, new ways, of attempting to resolve the problem of controlling costs while maintaining a level of medical care that's necessary in this country.

They have turned to these plans, we believe on a nationwide basis, and are seizing on their complexities to find ways to skim and siphon off and divert the funds that are in them.

Senator RUDMAN. Essentially, what you are saying is that because the coercive factors that are used by organized crime and others can be used very effectively in areas where huge amounts of benefit funds are accruing, that it is very possible, without extensive monitoring by the Department of Labor and other cognizant Federal and State agencies, that another scandal involving millions of dollars will turn up. As a matter of fact, you have one right here, I believe, that you handled involving the president of the Laborers local, who, according to my notes here, was sentenced to about 20 years in connection with a $2 million kickback scheme involving a welfare benefit plan.

Has that union held new elections for a new president?

Mr. WHEELER. Senator, it's my understanding those particular locals have been controlled by organized crime for years, and they continue to be controlled by them. The membership, I don't believe, has the confidence that they can rise up and remove these people through the elective process, and I think that the provisions of S. 1785 will be very effective in doing this.

Senator RUDMAN. Well, I thought that would be your answer. You have several million dollars that's been stolen from the members.

They feel intimidated, for whatever reason and do not try to move in and put in new leadership. There's no change in leadership, and there's no guarantee whatsoever it doesn't happen all over again.

Mr. WHEELER. Exactly.

Senator RUDMAN. As a matter of fact, you are familiar with the case in Florida, where it was another union—I believe the Longshoremen—where the fellow was on bail for taking a half-million, and while on bail, he took another $2 million.

Mr. WHEELER. Yes, Senator, I am. I think that was the Laborers International Union case that Mr. Hegarty spoke about here today, and that our office in Miami joined with the FBI and they were very successful.

However, like you say, during the 2 years of his appeal, this particular defendant proceeded to siphon off several more millions of dollars.

Senator RUDMAN. So, really, the bottom line of your testimony, Mr. Wheeler, as I understand it, is that, sure, we can pass 1785—we did—the House did not pass it, I will be testifying on it before the Senate Labor Committee, I believe, next week, and I think that it will again pass the Senate. It's a very good bill. It's very effective.

But what you are saying is that even with that bill, without closely monitoring these funds, the funds will present a terrific opportunity for organized crime. That's what you are really saying.

Mr. WHEELER. Senator, in terms of misuse or abuse of these unions and these funds, if it is not closely monitored, it will continue. These people are only limited by their imaginations. They will always find new ways to get at that money, because the coffers of these unions and these funds are so great.

Senator RUDMAN. Do you feel that the Department of Labor Audit Section is sufficiently staffed, if you will, in the ERISA Section and others, to adequately have cognizance over these funds?

Mr. WHEELER. Senator, it's very difficult for me to address that, because that is another section of the Department. It is the regulatory side of the house.

I would think that we have all been hit in the past couple of years with cutback in manpower and resources, and I would have to think that—that more resources in that area would prove very effective in terms of monitoring these plans and activities.

Senator RUDMAN. Well, I thank you very much for your testimony. I'm aware of the work you have done here.

The fact of the matter is that, although we need more work of that type done, it seems we need more work done up front so it doesn't happen in the first place.

Thank you, Mr. Wheeler.

Mr. WHEELER. Thank you.

Chairman ROTH. Mr. Wheeler, I thank you for being here. I have no further questions of you.

Mr. WHEELER. Thank you, Mr. Chairman.

Chairman ROTH. I would just like to comment in this area that at least some progress has been made. I'm pleased to see that considerable progress has been made, for example, with respect to the new Central States management. It comes after a long and arduous

struggle. But the subcommittee does feel that in this area we have seen significant progress.

Our final witness for today will be Professor Blakey of the Notre Dame School of Law, a man who has an outstanding reputation in this area, who is responsible for authoring some of our significant legislation.

Mr. Blakey, we require all witnesses to be sworn under the rules of the subcommittee. Please rise and raise your right hand.

[Witness sworn.]

Chairman ROTH. Thank you. It's a pleasure to have you here today. We appreciate your cooperation.

TESTIMONY OF G. ROBERT BLAKEY, PROFESSOR, UNIVERSITY OF NOTRE DAME SCHOOL OF LAW

Mr. BLAKEY. Thank you, Mr. Chairman.

Chairman Roth, Senator Rudman: My name is G. Robert Blakey. I am a professor of law at the Notre Dame Law School. My appearance here this afternoon, however, is personal, and nothing that I say should be attributed to any institution with which I am affiliated.

Mr. Chairman, I appreciate the opportunity to appear here this afternoon and discuss with you the organized crime efforts of the Federal Government, as well as the need for States, like Illinois, to augment their efforts in the organized crime field, particularly by the enactment of the legislation that is necessary if they are to get on with the job of controlling organized crime.

It may be helpful for readers of your hearing to have some idea of my background. Mr. Chairman, I would ask that a copy of my résumé appear in the record at this point.

Chairman ROTH. Without objection.

[The résumé of Prof. G. Robert Blakey follows:]

G. ROBERT BLAKEY

1980: Professor of law, Notre Dame Law School.
1979: Professor of law, Cornell Law School; director, Cornell Institution on Organized Crime.
1977 to 1978: Chief counsel and staff director, House Select Committee on Assassinations.
1973 to 1977: Professor of law, Cornell Law School; director, Cornell Institute on Organized Crime.
1969 to 1973: Chief counsel, Subcommittee on Criminal Laws and Procedures, U.S. Senate.
1964 to 1969: Professor of law, Notre Dame Law School.
1960 to 1964: Special attorney, Organized Crime and Racketeering Section, U.S. Department of Justice.
Education: Notre Dame—AB degree, class of 1957 (with honors); L.L.B. degree, class of 1960, Order of the Coif.

SUBJECTS AND ACTIVITIES

Criminal Law and Procedure
Trial Technique.
Seminar on Organized Crime.

SELECTED CONSULTANTSHIPS

Special Consultant on Organized Crime, President's Commission for Law Enforcement and Administration of Justice (1966–67).

Reporter, American Bar Association Project for Minimum Standards in Criminal Justice, Electronic Surveillance (1967–68).
Special consultant, Judiciary Committee, United States Senate, Title III, P. L. 90–351 "Omnibus Crime Control and Safe Streets Act of 1968." (1967–68).
Special Consultant, National Commission on the Reform of the Federal Penal Law (1968) (conspiracy).
Special Counsel before the United States Supreme Court, *Berger* v. *New York*, 388 U.S. 44 (1967), for the Attorneys General of Massachusetts and Oregon and the National District Attorneys Association as *Amicae*.
Member, National Commission on the Review of Federal and State Law Relating to Wiretapping and Electronic Surveillance, 1974–75.
Member, Task Force on Legalized Gambling, Twentieth Century Fund, 1974.
Special Consultant, Commission on the Review of National Policy Toward Gambling, 1974–75.
Member, Task Force on Organized Crime, National Advisory Committee on Criminal Justice Standards and Goals, 1976.

BAR AND PROFESSIONAL MEMBERSHIP

North Carolina 1960.
District of Columbia 1960.
United States Supreme Court 1963.

Mr. BLAKEY. I understand that you would like me to address four questions:

First, how successful has the Department of Justice been in using the statutory tools Congress gave it in 1968 and 1970?

Second, is there a greater potential for the use of the RICO statute in the area of civil litigation, both on the part of the Government and private parties?

Third, have there been successful uses of the RICO statute by private litigants, particularly State and municipal governments?

And fourth, do States like Illinois need to strengthen their legal tools and augment their efforts to control organized crime?

Mr. Chairman, I will make an effort, during the course of my remarks, to speak to each of these four questions.

Organized crime groups—in the Nation and in Chicago—are active in a variety of areas: drugs, loan sharking, theft and fencing, gambling, commercial sex, labor union corruption, public corruption, fraud—the list goes on.

Let me, for the purpose of my testimony this afternoon, however, focus on only three areas: drugs, labor union corruption, and fraud.

I. DRUGS

Contrary to the testimony that you had this morning, gambling is not the chief source of income for organized crime. It is, in fact, drugs. The 1980 estimate places the retail market in drugs in this country at approximately $79 billion. That's twice as large as banking, which is $34 billion, or insurance, which is $24 billion, and it ranks between transportation, which is $76 billion, and the medical and health professions, which is $86 billion.

Indeed, Mr. Chairman, the 1979 figure is so high that I hope my friends in the efforts against organized crime will pardon me if I express some skepticism at its estimated size.

I do not intend to underestimate in any way the size of the drug problem in this country. But I do question that it is at that level.

We all know——

Chairman ROTH. That low?

Mr. BLAKEY. At that level.

Chairman ROTH. Oh, level.

Mr. BLAKEY. We all know where the doctors live. They live in nice houses in communities all around us. Where are the drug dealers? There just aren't as many drug dealers living in nice houses in communities all throughout this country as there would have to be if the figure was truly $79 billion. Where is the evidence of this much money in our society?

Having said that the figure is not as high as $79 million, I don't want to suggest to you that the amounts of money involved in the traffic are not astronomically high.

I have seen the video tapes, for example, that the FBI made in the Banco shares investigation in Miami. I have seen a table half the size of this table—about 6 by 8—piled 8 to 9 inches high in money.

I know that drug dealers don't count money. They weigh it.

I can tell you, too, that a South American farmer who produces 500 kilos of cocoa leaves gets approximately $250 for it. That produces 1 kilo of cocaine hydrochloride, which when cut to 12 percent purity, sells at the street level for $800,000.

That's a lot of money.

We don't have to accept the $79 billion figure to recognize that an enormous amount of money is involved in the illicit drug distribution system in the United States.

Contrast, however, the amount of money in fact spent by the Federal Government in fighting the drug traffic. Approximately $1 billion each year is spent by all of the various Federal efforts. Nevertheless, by its own estimates, the Government interdicts less than 10 percent of the drugs.

If the traffic is, indeed, at the $79 billion level, we are spending only at the Federal level, $1 billion to control it, and we are interdicting less than 10 percent of the traffic.

Obviously more needs to be done.

II. LABOR UNION CORRUPTION

Let me turn for a minute to talk about labor union corruption. The vast majority—and I think this needs to be emphasized in your record—of the 500,000 union officials in this country are honest and hardworking. Even the Department of Justice—hardly an objective observer—does not suggest that more than 300 of the 75,000 locals are plagued with corruption.

Accordingly, most unions in this country are honest, and they do well by their membership. It is only a small handful that does not. And that makes it all the more tragic. It's not like you had to investigate every union. We know the four unions that present a problem. Indeed, this subcommittee particularly, knows them. They are the Teamsters, the Laborers, the Hotel Workers, and the Longshoremen.

Between 1973 and 1980, approximately 450 labor union officials were convicted by the Federal Government of some form of corruption. One-third of them came from these four unions.

Take, for example, the Teamsters Union.

Dave Beck was prosecuted and convicted largely as a result of the investigations of the predecessor of this subcommittee under Senator John C. McClellan.

I might add he was pardoned by President Ford.

James Hoffa, the successor president, was prosecuted in the 1960's, and convicted and sentenced for obstruction of justice and corruption growing out of a welfare and pension fund plan. The corruption case was tried here in Chicago.

I might add that he was pardoned by President Nixon.

The successor president of the union, Frank E. Fitzsimmons, died before he could be prosecuted.

As everyone in these hearings knows, Roy L. Williams, his successor, was, of course, prosecuted here in Chicago, with Joseph Lombardo, a high-ranking member of organized crime for trying to bribe a U.S. Senator. One of his associates in that trial was Mr. Allen Dorfman, an individual who was identified as tied to organized crime in Senator McClellan's hearings, and who had been prosecuted three or four times, only once successfully, prior to the current trial.

Take a look at the International Longshoremen's Association.

I'm bringing coals to Newcastle to talk to you about this particular union. Your set of waterfront hearings in 1981, which looked at the ICA, ought to be required reading for anyone who is concerned about the problem of organized crime in the United States, most particularly, its infiltration of labor unions.

There's one aspect of those hearing, however, that I would like to bring to your attention in the context of this hearing. You focused on the conviction of Anthony Scotto, who was the president of local 1814. Mr. Scotto is, as you know, a son-in-law of Anthony Anastasia, who Senator Kefauver in his hearings in the 1950's identified as having had control over the Brooklyn docks for years.

Mr. Chairman, what your hearings showed, and what the testimony today has also indicated, is that a number of individuals have been successfully prosecuted. That Beck could have been prosecuted, that Hoffa could have been prosecuted, that Williams could have been prosecuted—is all very important. Nothing that I say should be understood as anything but praise for the craftsmanship and the hard work of the investigators and the prosecutors who worked on those cases.

But what I want to emphasize to you is that they were only individual prosecutions.

What did these prosecutions do about union corruption?

The testimony in your waterfront hearings showed that "business as usual" continued after the prosecutions. A most massive use of top-flight investigators and prosecutors, employing all of the tools developed in the 1960's and enacted by the Congress in 1968 and 1970, made possible a series of individual prosecutions that were followed, however, by "business as usual."

Obviously, more needs to be done.

III. FRAUD

Let me turn now to the question of fraud. The current estimate for fraud in this country, which is a problem not only of organized crime

but also of white-collar crime, puts it somewhere between $44 billion and $100 billion a year.

That means it could be as high or higher than the drug traffic in this country.

I'm speaking now about bankruptcy fraud, bribery, kickbacks, consumer fraud, embezzlement, insurance fraud, receiving stolen property securities theft, and the like. And the figure of $44 billion to $100 billion a year does not include the estimate for fraud against the Government.

The Federal Government spends approximately $250 billion each year in economic assistance programs. The Department of Justice, again a hardly disinterested observer, estimates anywhere from 2 to 10 percent of that money is taken by fraud. That means the level of fraud against the Federal Government—not State and local government—is somewhere between $2.5 and $25 billion a year. If the latter figure is correct—the $25 billion figure—that means that more is being stolen from the Federal Government than is being spent on law enforcement, Federal, State, and local, for we only spend about $24 to $25 billion a year on our entire criminal justice system.

Let me continue on with selected statistics in the area of fraud.

Congress recently examined the question of commodity fraud. The current estimate is $200 million a year. As every citizen of Chicago knows, commodity fraud is a problem peculiarly related to this city.

Arson fraud was investigated by this subcommittee. It is estimated to cost $2 billion a year.

Insurance fraud is estimated to have an economic impact of $11 million.

Let me translate that last figure into what it means for each of us who pays insurance premiums. An insurance company has to make up in premiums the cost of what it pays out. That means that this country has had to come up with an additional amount of premiums: $13.75 billion a year to pay for that $11 billion fraud—$13.75 billion a year.

Now, what you asked me to do was to take a look at the extent to which the tools enacted by Congress in 1968 and 1970 have been successfully applied in some of these areas.

Let me comment on it.

First, I was involved in drafting the title III in 1968, the Federal wiretapping statute. I was, indeed, the reporter for the American Bar Association's study of electronic surveillance. I was a consultant to Senator McClellan in 1968 and helped draft that legislation. And, I subsequently served on the National Wiretap Commission that looked into title III's operation.

But I can tell you bluntly, Senators—and let me repeat that—bluntly that had I known in 1968 that the wiretap statute would not be employed as Senator McClellan thought it would be—with imagination and aggressiveness in the best sense of the words imagination and aggressiveness, I would not have worked on getting it passed.

I support electronic surveillance, but I feel about it a great deal like a doctor feels about battlefield surgery. It is always bloody. It is sometimes not successful. But it is necessary.

But it is only worth it if it is done with craftsmanship.

The wiretap statute, in fact, has not been—until recently—used with either imagination or aggressiveness.

In the early years, it was largely limited in its use to petty gambling cases.

Until recently, the Department of Justice—and I don't mean the current administration—I mean the previous administration—had an artificial cap of 100 wiretaps per year at the Federal level.

One of the facts that we learned on the Wiretap Commission was that the wiretap statute was so successful in drug cases that it produced so much evidence that the drug agents couldn't process the evidence. The solution to too much evidence, however, was to put in fewer taps, because then you would have less evidence to process. They had so much evidence that they couldn't try it themselves or hand it over to State and local officials. So the solution was to have less wiretaps, not to come up here and ask for more drug agents so that it could be processed appropriately.

I am pleased to say to you that this administration has changed that policy. We have had a 30-percent increase in the use of electronic surveillance since this administration came in.

That's an improvement worth noting.

We have also seen the fruition of a number of long-term investigations that have radically changed the way in which electronic surveillance has been used in this country. In Brilab, involving Carlos Marcello in New Orleans, in Pendorf, involving Williams, Lombardo, and Dorfman here in Chicago, and in UNIRAC, which, of course, you looked into carefully, wiretapping made the difference. The 1968 statute has been a success.

I can think of no better way to illustrate my point than to quote Lucille Brockway—she was a woman who sat on the Scotto jury—she said——

Let me first put it in context. You have to understand the power of Anthony Scotto. He was a capo in the Gambino Family of La Cosa Nostra, and a founder—a cofounder of an Independent Party in the city of New York. He was able to reach out for character witnesses in his trial to Hugh Carey, the sitting Governor of New York, John Lindsey, a former mayor of New York City, Robert Wagner, a former mayor of the city, and Lane Kirkland, who today is the president of the AFL–CIO. Those four individuals walked in and testified in that court that Anthony Scotto was a man of good moral character.

Chairman ROTH. What is his position, again, with the——

Mr. BLAKEY. Scotto was at that time president of a local of the ILA, but he was also a capo in the Gambino Family of La Cosa Nostra. His position in the mob was brought out in testimony before Senator McClellan's committee, not the Investigations Committee, but the Subcommittee on Criminal Laws and Procedures, of which I was the chief counsel, and his name was included in the committee report that reported out the Organized Crime Control Act of 1970. Who he was was information in the public domain.

Yet these four prominent politicians came into that prosecution and testified that he was of good moral character.

What jury in the country would have convicted him but for the electronic surveillance?

Lucille Brockway said the electronic surveillance was the crucial evidence.

These hearings have raised questions about corruption in Chicago. You have done it, however, in the context of money corruption. What about the political corruption? I don't mean now money. I mean the political corruption—how power is gained, held, and transferred in our society. That Scotto was able to reach out to these prominent people in our political life and have them come in and testify in the teeth of the evidence of his relationship to organized crime—that's corruption, too.

I have talked to you about success—and there's no other word to describe it—of the use of electronic surveillance at the Federal level today.

Let me turn to the issue of lack of success.

Let's talk about drugs. The principal failure in the drug area has been the failure to use the property forfeiture sanctions that were enacted in 1970 as part of the CCE, the Continuing Criminal Enterprise statute, and RICO.

In fact, these forfeiture sanctions have also not been used since 1970 with any imagination or aggressiveness.

Senator McClellan hoped, in the enactment of the RICO statute and the CCE provisions to see the profit potential taken out of organized crime. In fact, the prosecutors and investigators have largely ignored that feature of RICO and CCE.

I would like to incorporate in the record at this time some statistics I have on the use of property forfeiture by the DEA. I'm sorry I don't have statistics on the use by the FBI. Now that they are in the war on drugs, I hope that we will be able to see statistics from them—something that we can objectively measure—whether they are making an effort to do more than bringing sensational prosecutions.

ASSET SEIZURES AND FORFEITURES FISCAL YEAR 1980 THROUGH MAY 1982

(DEA statistics)

	Fiscal year—		
	1980	1981	1982 [1]
Seizures:			
Civil—881	$34,498,836	$54,352,659	$36,407,415
Criminal—CCE	3,641,857	6,272,878	4,655,919
Criminal—RICO	527,291	1,442,950	23,598,400
Total	38,667,984	62,068,482	64,661,734
Forfeitures:			
Civil—881	5,548,458	6,371,538	12,170,544
Criminal—CCE	135,000	2,194,013	20,300,000
Criminal—RICO	522,000	1,788,500	560,020
Total	6,205,458	10,354,051	33,030,564

[1] Data through May 1982.

I have heard them say that property forfeiture is tough or hard. But I have been a professional prosecutor and investigator for the better part of 20 years. I will not argue to you that it is not hard or that it is not difficult. But I know that net worth cases can be brought and can be made. The techniques are not new. Capone was convicted in this courthouse—not literally this building—this courthouse using the net

worth technique. Frank Costello was convicted using a net worth investigation. And they didn't have the immunity, the contempt, the false statement, the wiretapping, the RICO statutes and the witness protection program then that Congress gave them in 1968 and 1970. Those were pre-1970 convictions. If those techniques would be employed, not simply to gather evidence for a criminal conviction, but also to gather evidence of where the assets are, and to seek their forfeiture, I think you could begin to turn around the reason why that chart of mob figures over there to my left stands as it is.

Criminal prosecutions against individuals—the imprisonment of individuals—which do not also aim at the financial base that permits that organization to go on from generation to generation is not enough.

Again, there are practical problems here. You must find the assets, you must reach them if they are in third-party hands, and you must prevent their dissipation between the date of the beginning of the investigation and the trial. But it can be done.

Congress now has pending before it important drug forfeiture legislation. The Senate passed S. 2320 in the last Congress. S. 2320 would have strengthened the forfeiture provisions of both the CCE act and of RICO. I commend you for that effort, and I would hope that it passes the House, too, in this Congress.

Frankly, I'm not sanguine that that bill will pass the House. I think that RICO has begun to make enemies in the right places—or in the wrong places. And you are going to see a movement against RICO and its forfeiture provisions.

There's another problem that needs to be noted and that problem is—Senators, if you look around this room, you will see the photographs of the judges who sit in the Northern District of Illinois. I do not want to single out any one of them, but I would say to you that you can enact all the legislation you want to, but they will be the ones to interpret it. It's their understanding of the problem of organized crime that will be key to the day-to-day administration of the statute I wish I could tell you that they understood what I know you do.

Let me give you an example of a court not understanding. You have heard the name of Anthony Spilotro. The ninth circuit held, in a prosecution involving Mr. Spilotro, in 1982 (680 F. 2d 612) that to secure a pretrial asset freeze order under RICO, you had to show three things: first, the fact of a crime; second, that the property was subject to forfeiture; and third, that it might be dissipated. And you had to do it subject to the rules of evidence. That means you have to try your whole case to get what amounts to, on the civil side, a temporary restraining order.

That holding in the *Spilotro* case will frustrate the implementation of the forfeiture provisions of RICO if it remain the law. Can the Government afford to give up its informants before the trial on the merits? This is not a question of constitutional due process. The Supreme Court's understanding of what due process requires on the civil side and on the criminal side was articulated in *Gerstein* v. *Pugh* (420 U.S. 103). There's nothing constitutionally objectionable in the original intent of Congress not to tie up freeze orders in that fashion. Congress needs to change the *Spilotro* case.

You have asked other witnesses in those hearings why more hasn't been done, or what could be done, about the corrupt unions. Let me

raise one point with you. In 1970, Congress put equity powers in RICO so that Department of Justice could move in and reform corrupted unions through civil litigation. It used as its model the kind of antitrust authority that was employed to move duPont out of General Motors.

If Congress had the intestinal fortitude to attack the antitrust implications of duPont and General Motors—and they did—and the Supreme Court was willing to order a divestiture—and it was—then explain to me why there has been only one civil suit in 13 years against a corrupt union by the Department of Justice?

Why weren't the ILA prosecutions followed up by the Department of Justice?

Why did they simply come up here and lament that it was business as usual?

Why didn't they institute a civil suit to reform the ILA?

Why hasn't there been a civil suit instituted against the Laborers Union?

Why hasn't there been a civil suit instituted against the Hotel & Restaurant Workers?

Only one civil suit has been brought in 13 years—against Teamsters Local 560 in northern New Jersey. The principal figure in that suit is a man named Anthony Provenzano. He has been convicted of murder, extortion, RICO bribery, and welfare benefit fund kickbacks. He was identified as involved in organized crime in the late 1950's before this subcommittee. But it wasn't until 1982 more than 32 years later, that the Department of Justice moved in to do something civily about local 560. Better late than never. Better never late.

Senators, I suggest to you that a principal problem here is that the Government's lawyers haven't bothered to study the laws that you have already enacted.

Don't let them pass the buck to you. Don't let them tell you that the reason they can't get their job done is because you haven't enacted enough laws. Ample laws are on the books. If they would use as much imagination and aggressiveness in the postconviction stage for property forfeitures or civil relief as they are today showing in the imaginative gathering of evidence, I suggest to you that maybe we wouldn't eliminate organized crime, but we could break its back in the labor movement.

We could certainly break up the major groups.

The drug traffic, too, could at least be lowered, if not eliminated.

The gambling traffic, too, could be at least lowered, if not eliminated.

Obviously, more needs to be done.

Let me turn to the question of fraud. In 1977, the American Bar Association did a study of the use of Federal resources to fight white-collar and organized crime in the areas of fraud. They concluded that they were "underfunded, undirected, and uncoordinated." Nothing has essentially changed since that time. In fact, I would suggest to you that the most hopeful thing is not looking to the Federal Government to do it. It's looking to private people. You have said today that it's important for us to inform "the people." I suggest to you that it's also important for you to get people to help themselves.

RICO includes private civil remedies—triple damages equity relief—like in the antitrust area. Until recently, they have been almost

wholly unused. Today, you can see the beginning of a series of suits by private victims, particularly in fraud and similar areas, being brought.

If these judges whose pictures are around here will simply interpret RICO as it was written in 1970—and they are supposed to do it liberally—that statute will be the most single important legal tool in arming private victims to do something to help themselves.

Eighty-five percent of the antitrust cases that are brought in this country are not brought by the Department of Justice, but are brought by victims. If I could tell you in 1 year or 2 years from now that 85 percent of the major cases in the fraud area were not being brought by the Department of Justice, but were being brought by the private victims, I would say that we would begin to see in a major way a significant impact in this area.

Let me give you an example. Hatchi Cable, Ltd., a Japanese conglomerate, paid two purchasing agents for Alaska Telephone Utilities $330,000 to get them to buy $8.8 million worth of cable. The Government prosecuted the case under RICO. A conviction was secured. The utilities company is now suing for treble damages and rescission of the contract under RICO. It is entitled to $990,000 plus the return of its consideration. That kind of civil litigation will take the profit out of white-collar crime in the fraud area.

More suits like it need to be brought.

There's one other area, Mr. Chairman, that I need to touch on. There's been an almost total failure of the Department of Justice to bring sentencing proceedings under title 10 of the Organized Crime Control Act, to get higher level sentencing. It is inexplicable why they have not. The Supreme Court has sustained it as constitutional, and the circuits that have looked at it have said it is constitutional. And yet in case after case they have not asked for that additional possibility of long-term imprisonment that Congress authorized them in 1970.

My last point, Mr. Chairman, and I will make it rather quickly is that the principal problem here is not hands; it's not hearts; it's heads. It's been a failure to do what we know needs to be done. We have had study commissions and we have had congressional hearings, and there is a consensus on a hard core of what needs to be done.

Mr. Chairman, I would like to incorporate in the record at this time the recommendations of the President's Crime Commission in 1967, the National Advisory Committee's study in 1976, and the Wiretapping Commission's report, so that those who read this record can see what the key ideas are.

[The material referred to was marked as "Exhibit No. 2," for reference, and may be found in the files of the subcommittee.]

Mr. BLAKEY. At the State and local level, the failure has been to enact legislation and to implement it. Until the State of Illinois—and Illinois has none of the major legislation that the Crime Commission recommended in 1967—it has no statewide grand jury, it has no use immunity provision, it has no electronic surveillance, it does not have a modern theft and fencing statute, and it does not have a RICO statute—until the State of Illinois and similar major industrial States arm their law enforcement people with this kind of legislation, you will not have the kind of impact on organized crime, not only at the

Federal level, but also at the State and local level that our people are entitled to expect from their government.

Earlier today you heard testimony that there were approximately 12,000 police officers here in Chicago. There are about 8,000 FBI agents. If you want to see the difference between Federal law enforcement and law enforcement, these statistics bring it out. The Federal Government can't do it by itself. If the FBI, every single one of its agents, worked in this city—Chicago—they couldn't police it for 24 hours.

If the FBI, every single agent, didn't do anything else, it couldn't police the city of Chicago for 24 hours.

Fighting organized crime can't be done only at the Federal level. It is not going to be done successfully until the States and locals stop passing the buck to the National Government and start doing it, too.

You have heard people saying—Senator Nunn asked questions this morning—he said that his people told him that it's too big for them.

That's the same kind of buck-passing that the Department of Justice and the Department of Labor and the FBI do when they come to you and say, "We need more legislation."

Implicit in that is it's your fault it hasn't gotten done.

When you hear the State and local people tell you, "We can't get it done, it's the Federal problem," I'm saying to you it's because they won't do it.

What needs to be done is known.

It's up to them to begin doing it and not passing the buck to you.

Mr. Chairman, I'd like to incorporate in the record at this point, if I may, legal memoranda prepared by me for the Chicago Crime Commission which translate into Illinois law the best of the national recommendations. In addition to statutory language, they include background information that explain it. The people who read your hearing, not only from Illinois, but elsewhere, need to get a feel for what statutory language modeled on the Federal legislation looks like in State legislation.

Chairman ROTH. Without objection.

[The material referred to was marked "Exhibit No. 3," for reference, and may be found in the files of the subcommittee.]

Mr. BLAKEY. Mr. Chairman, let me end with a quote, if I might.

Robert F. Kennedy was the chief counsel to this subcommittee's predecessor under Senator McClellan. He subsequently became the Attorney General. In September of 1963, a month before his brother died, he appeared before this subcommittee. He entered a plea at that time for the enactment of legislation like title III and the Organized Crime Control Act of 1970, and he observed, in response to a question, and I quote:

> Unless [we are] given the weapons to deal with [organized crime] all we are going to do is have articles written, stories written, and hearings, and we are not going to get the job done.

Well, I suggest to you that unless the people of Illinois listen to what Robert Kennedy said and give to Robert Kennedy's counterparts in the State of Illinois the tools that they need, we are not going to get the job done.

Thank you.

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Chairman ROTH. Thank you for your very helpful and enlightening testimony.

Why hasn't more been accomplished here, Professor? Is it because of political corruuption, lack of interest, acceptance of——

Mr. BLAKEY. Senator, this goes back again—I suppose each person sees a thing through his own eyes, and because I'm a teacher, I tend to see that the problems are in people's heads in their ideas. So you will pardon me if I suggest what I see.

It is, indeed, ideas, and they are principally the ideas that are in lawyers' heads. And, as a teacher, I confess that I am responsible for sending out, in the last 10 or 15 years, any number of lawyers. But we train them to know how to say no and to object. We seldom train them on how to construct a positive program.

Look at your various legislatures. There are more lawyers in Congress than crooks. There are more lawyers down in Springfield than crooks. Sure enough, there are crooks in Congress. Springfield, too. But I have worked in the Senate as a staffer, and I have worked in the House as a staffer. Neither the House nor the Senate is corrupt. A lot of people who reacted to Abscam thought they were corrupt—that the whole Congress was corrupt. But it's not.

The predominant characteristic of Congress, the House and the Senate as it is true of State legislatures—and I have worked with a number of them—is that it is made up of lawyers. It is not that they are all crooks. The problem with lawyers is that their heads are filled with yesterday's—with yesterday's ideas. They have simply not learned what needs to be done. It's not so much an ideological thing—not necessarily left wing, right wing, Republican, Democratic—it's that they are afraid, having studied for the bar once and learned what the law was—they don't want to change it. They want to continue on with what they have learned.

That's the largest single impediment to law reform in the Congress. It's the largest single impediment to law reform in the houses of the State legislatures. It's the largest single impediment to reform in the Department of Justice.

The FBI knew how to implement the wiretapping statute because they were familiar with it. But it took them 5 years to find out what RICO was. And it has taken them 10 years to implement it. Why? Because they were dishonest? No. It's not because they are dumb either. It's just that they won't do their homework and learn it. That's the problem.

Chairman ROTH. One gets the impression that the problem with RICO is the fact that lawyers don't understand it, that it requires some new concepts. And I don't pretend to personally understand it either. But how do we break down this lack of action?

Mr. BLAKEY. Senator, I'll tell you what the problem is. I have taught RICO to FBI agents; I have taught it to Justice Department lawyers; and I have taught it to students. It is difficult to teach to FBI agents; it is difficult to teach to the Department of Justice attorneys; but it is easy to teach to students. It is easy to teach to students because their heads are not cluttered with old ideas. RICO is not a difficult statute. It is a relatively simple statute once you understand it.

Chairman ROTH. What can we do to help?

Mr. BLAKEY. I would say, Senator, what you can do to help is what you are already doing. I don't want to appear to praise you unduly. I don't normally write fan letters. But this subcommittee is one of the committees to whom, if I wrote them, I would write one.

Hold their feet to the fire. Get the Department of Justice up here and ask it why it is not bringing forfeiture cases. Get it up here and ask it why it is not bringing title 10 sentencing proceedings. Ask it why it hasn't brought civil suits against the ILA or the Hotel and Restaurant Workers or the Teamsters Union. And don't let it pass it off on you by saying that it's too difficult. Don't let it pass it off on you by saying that it needs new legislation.

For example, you are proposing legislation that would authorize removing a man from his union position after he is convicted of a crime. RICO already authorizes that. The only person in your waterfront corruption hearings who knew that was the president of the union.

Every other person who testified assumed that new legislation was necessary, including the prosecutors, who were free with criticism, and the prosecutors were free with criticism of you people because they said that they needed new legislation, of the judges because they didn't give a high sentence, of the FBI and the Department of Labor for not cooperating with them. But they didn't know what powers they had to act against that corrupt union under the statute that they used to bring the prosecution.

That's the problem, Mr. Chairman. Educate them, two people—two groups of people—not the people in Chicago, but the people in the Department of Justice and the people around the top of this room, the judges. If they won't enforce it correctly, educate them. If they won't interpret the statutes correctly, reenact them and say, "When we say what we say, we mean what we say. Will you read what we say."

Senator RUDMAN. I think if we had to do that, we would have to reenact the entire United States Code every month.

Mr. BLAKEY. You are right, Senator.

Chairman ROTH. Let me ask you, how would you rate the Department of Justice Strike Force effort here in Chicago? I know it's had substantial success this current year, but how would you look at it historically?

Mr. BLAKEY. You can look at it in two ways. If you look down, you will see muddy feet. If you look up, you will see stars. More is being done in Chicago today than has ever been done in the past. That's the stars.

But less is being done—I'll put it to you a different way—the same is not being done in Chicago as elsewhere.

In the *Cappetto* case, I talked to Pete Uiara, who used to be head of the Strike Force here in Chicago, into bringing a civil case against a racketeering activity under RICO gambling. It was an eminently successful civil suit, eminently successful, and for several years thereafter, when the Department of Justice lawyers would make public speeches, they took credit for the *Cappetto* case. But its never been replicated. So the answer is that the Strike Force is absolutely essential if you are

going to do something about organized crime in the city of Chicago. But more still needs to be done.

I have heard people say that it ought to be merged in the U.S. attorney's office. Let me tell you that that would be a mistake of the first order. No U.S. attorney's office will ever do sustained work in the organized crime area, not because it is corrupt, but because it has got too much to do. A U.S. attorney has got the full menu in front of him, and when a crisis comes up, he will take the best people in his office, the guys on the Strike Forces and the women on the Strike Forces, he will respond to that crisis by pulling somebody out of the Strike Force and putting them on it. Because the Strike Force is a long-term project and crisis-oriented management will always eat it alive. Long-term work never gets done. That's why you have Strike Forces as well as U.S. attorneys offices.

Chairman ROTH. Last week, in Washington, we had before this subcommittee, Professor Rogovan from Temple University, and he stressed very strongly the necessity of pursuing public integrity cases. Specifically, he said, "My view is that it's difficult to overstate the importance of public corruption to the continued successes of organized crime." We have heard a number of statements today linking public officials and crime.

Would you expand on your views in this area?

Mr. BLAKEY. Senator, I won't oversimplify. I won't say that if the Crime Commission's package doesn't go through the State legislature, it is because of corruption. People have legitimate disagreements about civil liberties issues. Not everybody who votes against wiretapping is a crook.

Chairman ROTH. Sure.

Mr. BLAKEY. But some who do are. And this is your test: It just so happens that the Chicago delegation in the State legislature is now the most powerful. The heads of the key committees happen to be from Chicago now.

If this legislation is given a hearing and passed, and let's say fairly compromised—the drafts that I put in the record here are first drafts, not final drafts—they need to be looked at by people who have to make the kind of policy judgments that our political and elected officials have to—but the one policy judgment that's impermissible is no to a statewide grand jury, no to an immunity statute, no to a theft and fencing statute, no to a RICO statute, no to a wiretapping statute. And if the bottom line a year from now or 2 years from now is that this legislation hasn't gone through, it won't be because the Governor was corrupt. You have never had a more knowledgeable Governor about organized crime than James Thompson. He is a former law professor. He is a former Federal prosecutor. He knows what's involved. It will be because the legislature in some combination was corrupt.

Chairman ROTH. Senator Rudman.

Senator RUDMAN. I followed your work and your writings, and I have read some of the things that you have stated here, and articles that you have written. Of course, what you are really saying again, bottom line, in terms of the Federal activity, is that prosecutors like to get convictions, they like to get people sent to jail, and that's

admirable, that's what prosecutors are supposed to do. But what you are really saying, in terms of a real effect on organized crime, the question Chairman Roth has been asking continualy for the last 2 years, is how do we get at it? What you are saying is that the civil sanctions already there, if used effectively, would do more to eliminate their base, which is money and corruption and corrupt influence, than anything else.

Mr. BLAKEY. Yes, and it would do it easier, and it would do it more consistent with due process. Why do you have to get him indicted? Why do you have to get proof beyond a reasonable doubt? Why do you have to have confrontation and cross-examination? Why do you have a jury verdict in every single case if you are not really after the man's liberty? If what you are after is property, if what you are after is the influence he has over a union, you don't need to go the criminal route.

The Attorney General testified the other day it costs us $10,000 a year to hold a person in jail. It costs us $50,000 a year to build a new bed in a prison. Any number of people who are corrupt are not also violent. Why do we have to go after them with criminal sanctions? Go after them with civil sanctions.

In a civil case, you can start with the defendant's deposition, and with the use immunity provisions in the Organized Crime Control Act, you can set aside his privilege against self-incrimination.

Why do they have to do it the hard way?

You have to do it the hard way because the Department of Justice is divided into a Criminal Division and a Civil Division. That means that everybody in the Criminal Division—they only have one remedy—criminal prosecution, so that's all they know. And the Civil Division people don't talk to the Criminal Division people.

Why can't we get some prosecutors who think about remedies instead of convictions?

Senator RUDMAN. Well, Professor Blakey, I'm going to take this record, when it's reproduced, and the week after next, I also happen to serve on the Senate Appropriations Committee, and serve on the subcommittee with jurisdiction over Justice Department appropriations, and I'm going to have a very interesting dialog with those folks based on your testimony, today, and I'll send you a copy of what they have to say.

Mr. BLAKEY. Senator, I would be glad to sit with you on your staff and work out the questions.

Senator RUDMAN. I think you have made a very substantial contribution to the hearings today, and I thank you very much.

Mr. BLAKEY. Thank you, Senator.

Chairman ROTH. Yes. I, too, want to express my appreciation, and I would invite you, as time passes, to let us have the advantage of your recommendations and comments. This is an ongoing struggle, as you know.

Mr. BLAKEY. Senator, I'm a phone call away.

Chairman ROTH. Thank you very much.

Mr. BLAKEY. Thank you.

Chairman ROTH. At this time we are coming to the close of this hearing. Without objection, I have two documents I want to enter

into the record. The first one is a statement on Drug Enforcement Administration, U.S. Department of Justice, by William J. Olivanti.[1]

Mr. WEILAND. Mr. Chairman, the other is a summary of findings of this subcommittee's predecessor, the select committee on certain Chicago labor unions, which Senator Rudman's staff put together.

[The summary referred to follows:]

FINDINGS

The findings from the Select Committee hearings which dealt with the Chicago area are:

(A) Hotel and Restaurant Employees and Bartenders Union, Chicago area.

The Committee found that key underworld figures in Chicago achieved influence in both the management and labor segments of the Chicago restaurant industry. The Chicago Restaurant Association was dominated by operators who had no regard for the rights of employees to select union representatives of their own choosing and forced restaurant owners and managers to sign contracts organizing the captive employees "from the top" in violation of the Taft-Hartley Act.

Restaurant Association activities took the form of typical union racketeering and misappropriation activities. For example, employers paid into a "voluntary fund" at the rate of $1 per month per employee, ostensibly to provide money for legal services in labor matters. However, over $1 million that went into the fund from 1951 through 1957 was diverted into the hands of two attorneys retained as labor counsels for the union. The two attorneys, Abraham Teitelbaum and his successor Anthony Champagne, were also associated professionally and socially with the leaders of the crime syndicate, and, in fact, Teitelbaum was at one time Al Capone's personal attorney. As labor counsels, Teitelbaum and Champagne were responsible for preventing picketing of member restaurants and securing removal of a picket line if one were erected. Both lost their jobs when they became *persona non grata* with crime syndicate chieftans. Both invoked the Fifth Amendment when they testified before the Committee.

The union racketeers preyed upon both restaurant owners and employees. Although employees often did not want union representation, and often did not even know of their union representation, union business agents would force employers to deduct dues from their pay checks and, if anyone objected, to fire them. In that event, the business agent would provide new employees. On the other hand, since representatives were interested only in the payment of dues, they permitted proprietors to prosper by paying employees below the prevailing minimum wage scale specified by the standard contract for the Chicago area.

Various other activities of the association also resulted in the looting of the treasuries of the racketeer-controlled locals. Evidence indicates that the money ended up in the pockets of known syndicate individuals such as James Blakely, John Lardino, Gussie Alex, and the reputed boss of the Capone syndicate, Tony Accardo.

(B) Joseph Glimco and Local 777, International Brotherhood of Teamsters, Chicago.

Joseph Glimco, a common criminal with close associations with major organized crime figures, acquired undisputed control of Teamsters Local 777 in 1952. Glimco used threats, intimidation, and illegal payments of union funds to oust then President Dominic Abata. Glimco had formerly operated a labor extortion racket in the Fulton Street Poultry Market. In his new position, Glimco diverted union funds to pay for legal expenses in defending charges regarding the Fulton Street Market shake-downs. Subsequently, he used union funds to buy a house for himself and his secretary, and for various personal expenses. For example, Glimco used union funds to pay for membership dues to the local country club, hotel rooms, and an all-expense tour of the Caribbean Islands. He also spent large sums of union money to demonstrate his loyalty and comradeship with then Teamster President, Jimmy Hoffa. Local 777 officials, aware of the misappropriation of union funds, did nothing to disclose the misuse of these large sums of union funds.

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[1] See p. 218 for the prepared statement of William J. Olivanti.

Another interesting sidelight of Glimco's control of the union was his practice to rebate a portion of the membership dues to the two large taxi fleets in Chicago. This was done to reward fleets for collecting union dues.

The Committee also found evidence that the Occidental Life Insurance Company was a party to questionable actions in connection with labor group insurance policies written through the Dearborn Insurance Agency in the Chicago area. Evidence showed that nearly $175,000 in commissions were paid even though no services were performed. Further, Glimco, who held authority to pay claims under the insurance agreements, acted with total disregard for the welfare of his members and their families when they filed claims. Members of his union testified that benefits due them under the policy were denied, and when they insisted upon their rights, Glimco had them fired from their jobs. There was also evidence of collusive arrangements between Teamsters Local 710 and 777, and the Chicago Hotel and Restaurant Workers Union. All persons involved invoked their Fifth Amendment rights during testimony before the Committee.

(C) John T. O'Brien, Teamsters Local 710, Chicago.

John O'Brien, second international vice president of the International Brotherhood of Teamsters, and secretary/treasurer of Local 710, and Frank Brown, president of Local 710, paid themselves commissions out of the dues and initiation fees of the members of Local 710. They drained the Local's treasury of over $1 million during the years 1952 through 1958.

(D) Allan M. Dorfman and Paul J. Dorfman, the Dorfman insurance entities and the Hoffa-Dorfman alliance.

The Committee made a detailed study of the Central States, Southeast, and Southwest areas health and welfare fund and the Michigan Conference of Teamsters welfare fund insurance deals. Evidence showed that James Hoffa used these two funds to pay-off long-standing debts to the Chicago underworld and to Paul Dorfman, the corrupt labor leader who introduced him to Midwest mob society. In 1950 and 1951, Hoffa successfully maneuvered the insurance business of the teamsters health and welfare funds to the Dorfmans. Hoffa entered into a collusive arrangement with the head of Union Casualty Company, and Paul and Allan Dorfman to assure the placing of the Central States insurance business with Union Casualty Company, with the understanding that Allan Dorfman would be named the broker on this lucrative account. Evidence indicated that Union Casualty placed its bid based upon more favorable factors than those of its competitors, and when another company did offer a lower bid, it was rejected on baseless grounds. Subsequently, Allan, Paul, and Rose Dorfman, all of whom had absolutely no experience in the insurance field, received more than $3 million in commissions and service fees on teamsters insurance over an eight year period.

Once the Dorfmans had control, Hoffa agreed to increase premium rates for both of the teamster funds while drastically reducing benefits. Finally, in 1954 Dorfman's activities resulted in his license being revoked by the state of New York. However, through subterfuge and the continuing friendship of Jimmy Hoffa, Allan Dorfman continued to draw his commissions and service fees.

(E) Sheet Metal Workers International Association, Chicago area.

The Committee found that Sheet Metal Contractors in the Chicago area were required to pay $250–$400 to officials of the union for the privilege of operating union shops. The Committee also found that officials of the Sheet Metal Workers Union in the Chicago area participating in the rigging of bids on city contracting projects. Testimony of Arthur Kronin, president of Local 73 and fourth international vice president of the Sheet Metal Workers International Association, was so conflicting with other testimony that the Committee concluded that willful perjury had been committed and referred the testimony to the Department of Justice. The Committee also found that union officials caused another witness to repudiate earlier testimony provided to the Committee concerning illegal payments to a union official.

Chairman ROTH. In closing, I would just like to express again my appreciation to the Commission and to all of those who appeared before this hearing for their extremely valuable testimony.

As you well know, this is only one of a series of hearings we are holding on the impact of organized crime on this country as a whole,

but, more particularly, of its impact on the various regions. We shall continue to be exploring the problem, the question of what more needs to be done on the part of Congress, and, particularly, why we are not, as the Professor suggested, making better use of the laws already on the books.

But, again, we will be holding further hearings, as I have already indicated, on Chicago organized crime. I expect we will probably be subpenaing or otherwise bringing witnesses from here to Washington.

Thank you very much. The subcommittee is in recess.

[Recess at 2:10 p.m.]

APPENDIX

SENATOR WILLIAM V. ROTH, JR.

CHAIRMAN

UNITED STATES SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

FIELD HEARINGS

ON

ORGANIZED CRIME

CHICAGO, ILLINOIS

MARCH 4, 1982

9:30 a.m.

(85)

PREPARED STATEMENT OF SENATOR ROTH

Good morning. Today, the U.S. Senate Permanent Subcommittee on Investigations will continue its probe of organized crime activity. In our first "field" hearing, we will focus on the infrastructure of the Chicago crime syndicate as emerging criminal groups.

The scope of activities involving the "syndicate" or "outfit" or "mob" in the Chicago area is truly pervasive. Organized crime in Chicago touches virtually everyone's lives or livelihood. Evidence shows that the tentacles of mob activity in this city reach into government, law enforcement, unions, and other legitimate political, social and economic functions.

Accordingly, I have scheduled this hearing to heighten the public's awareness of just how pervasive criminal influence is in Chicago.

But I have also scheduled this hearing to bring to the fore, some hard questions that need to be asked... and to suggest some remedies that need to be weighed. The hearings of this Subcommittee have been instrumental in providing the basis for passage of a wide range of criminal laws including those involving wiretapping authority, anti-racketeering, tax disclosure and union corruption.

But we are not, afterall, just in business to continue a Senate tradition of inquiring into the scope of structured criminal enterprise. Even though such a tradition has both heightened public awareness and provided the evidential basis for legislative action against the activities of organized crime, the simple--but

chilling--fact remains: the criminal syndicate in Chicago has not been eradicated nor even contained.

Indeed, in spite of the best efforts of this Committee and its predecessors, and law enforcement people, the nation is still overwhelmed by organized criminal activity.

I believe it is time to take a different tack.

We should not content ourselves with uncovering how clever or how violent individual criminal adversaries are. Nor should we pause in wonderment about the billions of dollars that are diverted into illegal channels by organized crime each year.

And we are only kidding ourselves when we act shocked about the tightly-knit loyalties that seem so characteristic of the criminal underworld.

Each new revelation that is brought out into the open in hearings such as these--ranging from the testimony of the infamous Joe Valachi to the underworld illicit narcotics network--is almost seductive in its story-line.

I believe we must instead ask ourselves some basic questions such as: "what are the supporting mechanisms on which organized crime relies?" "Can we realistically weaken these supports?" "Can we, as a society, ever inflict critical wounds on the infamous criminal syndicate?"

I am confident that we can. And I intend to use today's hearings as a new first step in building on that confidence.

Now I know that there are those in this community and across the country who believe that there will always be crime, and perhaps therefore we are better off having "crime" under the aegis of an organized system. That way--or so the argument goes--we can at least keep criminal activity under a watchful eye. I suppose that those same people would submit that, this way, whenever organized crime oversteps its bounds, we can quickly take action to once again put the syndicate in its place.

I do not--and never will--accept that line of reasoning. It's like saying that a little bit of cancer will never hurt anyone.

Indeed, when we hear the testimony today, I suspect that we will find, not unlike testimony given during past hearings, that the cancer of crime is harmful, is debilitating, and is costly... no matter what measuring stick we use.

Today's line-up of witnesses no doubt will reinforce some things we already know, and maybe tell us some things we don't really care to hear. But in any case, I am convinced that the accounting of organized criminal activity that the witnesses give today here in Chicago will encourage action.

Hopefully, the testimony will sufficiently outrage the citizens of this fine state and elsewhere to the point where they are willing not only to renew this country's efforts against the so-called mob but also to get behind new and meaningful legislation aimed at the heart of the criminal infrastructure.

This of course, is much easier to say than to accomplish, particularly when hearings such as these lay bare a litany of apparent failure. And while it irks me to use the word, "failure", it is dangerous to be euphemistic in describing what we have accomplished to date.

To repeat an earlier point: the record is clear for all to see. We have succeeded only in getting a few highly visible, top ranking captains of crime. The mob itself has taken care of several other bosses and lots of soldiers.

Sadly, we have not been successful in our efforts to cripple the syndicate's hierarchy. Sadder still, we have been unable to prevent that hierarchy from directing and expanding the criminal activities of others.

But, I honestly believe that we can be more successful...that we can do more... and in a more meaningful way. Accordingly, after the witnesses present their prepared remarks today, I intend to ask each one what steps should and can be taken to halt the rise of organized criminal influence and sway in Chicago and other cities and communities in this good country.

As Chairman of the Permanent Subcommittee on Investigations, I have listened to some appalling stories about how crime flourishes in our society. I have read with interest many of the documents submitted to this Committee as evidence.

I have come to the conclusion that the only way to accomplish this is to strike at the very heart of the criminal infrastrucutre. We must do this by insisting

that states and local governments increase their efforts in the fight against organized crime. We must also educate local citizens to the fact that the war against crime is in part, their war.

For instance, the Chicago Crime Commission has wanted us to come here for some time. The Commission is concerned that millions have been spent to rid Chicago of organized crime. But the situation may be worse than ever.

The Commission knows well the reason why. Corruption in this city has been rampant. Surely, there exists a need to prosecute corruption. But I question whether this can be done by new federal legislation alone.

On the contrary, I do not feel the "feds" should be saddled with this entire problem. Instead, I believe there is room for improved state and local efforts. And I want to use this hearing to find out what those improvements might be.

On a larger scale, there are some things that can be done at the federal level. And I can assure the witnesses here today that the members of this Committee are willing to initiate federal legislation aimed at helping and complimenting whatever steps you and, the members of your communities decide to take.

Still, to avoid repeating past efforts that have failed us, we must also begin a serious dialogue on some firmly held convictions.

Right now, the "mob" is strong because it has money and lots of it. It is no secret that organized crime reaps tremendous profits from gambling and from illicit drug sales.

Back in the 1940's, when the Capone gang in Chicago was trying to extend its control over gambling, the gang sought to first obtain control over racing information services. This was a simple but effective way to ensure that betting would fall under the control of mobsters.

Ironically, today we allow or encourage the publication of odds, betting lines and the like. We have in fact set up parallel betting organizations to compete with organized crime. But we fail to offer the same payoffs and we do not offer the easy credit which the syndicate uses to get players.

And where do these profits go? What efforts have been made to trace these funds offshore? How much money is involved here? These are questions which, of course, have never been answered. But this Committee is striving to provide at least partial solutions in this hearing and others we will have this year.

In the process of our search for answers however, we need not forget who we are as a people nor what we want as a nation.

At the same time, we must remember that our responsibility is not limited just to portraying the lurid and spectacular side of organized crime. We are also enjoined to seek meaningful solutions.

These hearings of the Permanent Subcommittee on Investigations are the proper forum for fulfilling our obligations and I urge both my colleagues and the witnesses to keep this in mind.

PREPARED STATEMENT OF SENATOR CHARLES H. PERCY

I would like to commend Chairman Roth for convening this important hearing here in Chicago this morning. For some time now, I have urged that a hearing of this kind be held.

Usually, field hearings attract one or two Senators, at the most. Today, we have an unusual statement of support for action on this subject. As a Chicagoan, I am grateful.

Since 1973, I have been a member of the Permanent Subcommittee on Investigations. My principal purpose in joining and staying on this Subcommittee was and is to develop legislative strategies to set firm limits on organized crime -- particularly right here in Chicago.

Despite the best efforts of local law enforcement, organized crime moves with impunity across state lines. Only tough federal legislation, rigidly enforced, can ever hope to slow down organized crime.

Organized crime today knows no recession, knows no unemployment, knows none of the economic suffering felt by those of us in the Midwest, which we are hoping is coming to an end.

Organized crime members live high on the hog in their homes in Palm Springs, Fort Lauderdale, the Caribbean. They travel first class. They take fancy vacations, and who is paying for all of this? I would contend that John Q. Citizen is paying through inflated costs for goods and services, higher automobile insurance premiums, and higher taxes to pay for society's attempt to curb these thugs.

Take, for example, the recent convictions for embezzlement at the fish market in New York City which caused higher seafood prices for New York residents. In recent days, similar allegations have been directed towards a wholesale food market in Chicago which may be driving up the cost of food at the supermarket. If these reports prove true, I would hope that the authorities move quickly to stop this.

Unfortunately, the popular image protrays organized crime as leaving the "innocent bystander" alone. Some may ask why should we be concerned about the sudden death of Allen Dorfman or the attempted murder of Ken Eto or the syndicate's control of pornography or gambling.

We should be concerned for lots of reasons. The whole organized crime empire is based on fear, intimidation, and lawlessness. Today, it may be Allen Dorfman being murdered by an organized crime triggerman. Tomorrow, it may be the member of an extremist political movement pulling the trigger on a critic and getting away with it because he saw how the mob did it and got away with it.

As the late Billy Dauber -- master chop shop operator -- said in 1979, right before he was murdered: "The only thing that organized crime has to sell is fear".

I understand that now certain motorcycle gangs are emulating organized crime, even forming alliances with them. The web is expanding and becoming, if anything, more ruthless and vicious.

I have been particularly concerned about how consumers have been harmed by organized crime. Of particular interest has been organized crime's control of chop shops -- clandestine garages where stolen cars are taken apart.

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Three years ago, I held four days of hearings on chop shops in Washington, D.C. As a result of these hearings, I introduced legislation to provide police with an audit trail for component parts stripped away from stolen cars by organized crime choppers. The total cost would be no more than $10 per vehicle for these numbers. Removal of these numbers would be a federal crime. The bill also would invoke the anti-racketeering statute in case of suspected chop shop activities. These hearings received national attention. I am proud to report that the FBI is now using the hearing transcript as one of its official auto theft training documents at its training academy at Quantico, Virginia.

Unfortunately, the problem of chop shops seem to have gotten worse. In order to make up for losses, insurance companies have jacked up theft rates in Chicago and major cities. This chart shows the huge differences in rates for a 1983 Chevrolet Impala across northern Illinois. Residents living on the South Side and West Side of Chicago pay $332 annually just for theft coverage. Even in outlying Cook County, drivers are paying $105 annually -- double the rate paid by motorists in rural Northern Illinois, outside the "chop shop" zone.

Even this rate is high. Compare it with the $67 paid by residents of Wilmington, Delaware or $72 for those of Atlanta.

The National Automobile Theft Bureau located right in Palos Hills has provided me with some astounding data. Since the 1979 hearings were held, 3.4 million vehicles have been stolen in the United States, the recovery rate for stolen vehicles has dropped from 59 percent to 52 percent, and the total cost of all car related thefts is $12.8 billion. That's 12.8 BILLION -- almost the total gross national product of the nation of Peru.

I plan to re-introduce the chop shop bill soon, together with Senator Dixon and Senator Lugar of Indiana. This time, I encourage the auto manufacturers to drop their opposition. The costs of this legislation do not amount to much, compared to the benefits. Take a look at the marketing system now used by National Car Rental of Chicago -- a system developed by Digital I.D. Systems of Park Ridge. Since affixing the numbers, its car theft rate dropped 75 percent, at a cost of just $15 per car.

I am looking forward to this morning's hearing, but I must say I am greatly disappointed that Sheriff Richard Elrod was unable to attend. I have not received a personal explanation, so I assume he has a good reason. As an elected official in Cook County, Sheriff Elrod can provide us information about organized crime, particularly in the suburbs. The record is incomplete without his testimony.

Mr. Chairman, I would like you to keep the hearing record open long enough to permit Sheriff Elrod to make a statement.

In closing, I would like to commend the Chicago Crime Commission, and particularly its President, Gail Melick and its Executive Director, Pat Healy. When others lost interest, they kept alive the efforts to combat organized crime. They have let us all know that there are no innocent bystanders as long as organized crime continues to thrive.

PREPARED STATEMENT OF SENATOR SAM NUNN

Mr. Chairman, I am most pleased to be here in Chicago this morning to take part in these hearings on organized crime. I congratulate you and the Majority staff for your fine efforts in making this hearing possible and in thereby furthering this Subcommittee's examination of the problem of organized crime.

For more than thirty years this Subcommittee has been active in the investigation of the nature and scope of organized crime in the United States. In doing so, the Subcommittee has looked closely at many of those activities by which organized crime has so often profited, including gambling, stolen securities, narcotics trafficking, and labor racketeering.

The testimony which we have heard on the strength of organized crime in those areas has, to say the least, been most alarming.

With benefit of the Subcommittee's past investigations in those specialized areas, we today continue our efforts to understand the full scope and influence of organized crime as it today exists in the United States. Only as recently as last week, the Subcommittee concluded another set of hearings on organized crime, resulting from a Minority investigation, with benefit of the cooperation and participation of the Majority. Those hearings

were specifically designed to profile the concept of "organized crime" within the mid-Atlantic region of the United States. During those hearings we heard testimony indicating both the growing sophistication of traditional organized crime families as well as the expanding power and scope of newer, "emerging" organized criminal groups. Such testimony suggests that organized crime, as it exists in the '80s, may well call for a stronger and more coordinated response by today's law enforcement community.

With today's hearing, the Subcommittee continues to focus on those most important issues, as they currently exist in the Chicago area. I am most interested in what today's testimony will reveal about the evolution, both in scope and in strength, of traditional organized crime families within the Chicago area. I look forward not only to an analysis of organized crime itself but also to suggested recommendations for improved law enforcement efforts in this area. Although today's testimony will clearly focus on these issues as they affect the Chicago community, better insight on the problem here will surely benefit the Congress, law enforcement, and the American public in attacking the problem of organized crime nationwide.

With those thoughts in mind, Mr. Chairman, I welcome today's hearings and the important evidence and testimony which I believe will be forthcoming here this morning. Again, I congratulate you and the Majority staff on a job well done and continue to look forward, on behalf of the Minority, to working together with you in the future on the important and pressing issue of organized crime.

Thank you.

PREPARED STATEMENT OF SENATOR WARREN B. RUDMAN

Mr. Chairman, today's hearing continues the long history of investigations by the Permanent Subcommittee on Investigations into the status and effects of organized crime in the United States. Chicago is no stranger to this Subcommittee; twenty-two days of hearings have been held on organized crime activities here. I hope our return to Chicago will mark the beginning of successful, concerted efforts to destroy the corruptive influence of organized crime which has cast such ominous shadows over this and other great American cities.

I think the hearings that begin today are important for several reasons. First, the hearings and reports will document the nature and scope of traditional organized crime in Chicago. The information that will be derived from this hearing will inform the public of both the obvious and hidden costs of organized crime, costs which are borne by honest citizens.

Second, law enforcement officials at all levels will, I hope, learn more of the necessity for direct and concerted action against these parasitic hoodlums. Finally, these hearings will form the basis for legislation, some already proposed and some in the offing, which will make law enforcement officials more effective in their work.

The city of Chicago has for too long been linked with corruption and violence. The murders attributable to organized crime are, of course, the most apparent symptoms of the disease. However, this is only the tip of the iceberg. The less obvious effects of organized crime on society are far more damaging. Organized crime is contagious and the Mafia can, if unchecked, infiltrate all levels of law enforcement and government. Many people are convinced that this has already happened in Chicago. We hear allegations of bribes and kickbacks at nearly all levels of Chicago's governing apparatus. The awful consequence of this influence is a contempt for the law and all those involved with it. We cannot allow this to happen.

This hearing has been convened at a most opportune time in Chicago. From all indications, the Mafia in Chicago is in the midst of a reorganization brought about by recent arrests and convictions, the murder of Allen Dorfman, and the attempted murder of Ken Eto. Law enforcement officials may now have a unique opportunity to break the mob in Chicago. I hope what we do here today will aid in that effort.

As I stated earlier, not only must we have renewed dedication and effort from our law enforcement officials, we, as legislators must strengthen existing laws in order to enhance their ability to fight organized crime. At the federal level we are promoting legislation which would help to purge organized crime from labor unions. We are also proposing legislation which would aid in the prosecution of traditional organized crime figures. It is essential that we also receive cooperation at the state and local levels. It is vitally important that the Illinois State Assembly provide local and state law enforcement officials with the tools necessary to combat the insidious influence of organized crime.

A good start would be for the State Assembly to enact a responsible electronic surveillance law. By denying local officials the use of wire tap evidence, the Assembly has made unavailable perhaps the most effective tool in use against organized crime.

Mr. Chairman, I would like to end my opening remarks by quoting a famous New Hampshire Congressman. Daniel Webster once observed that "God grants liberty only to those who love it, and are always ready to defend it." His observation has as much application to our war against organized crime as it has had to all our country's past struggles in the name of democracy. For too long the American public has tended to romanticize those connected with organized crime. I hope our efforts here today will help dispell such notions and serve notice of our determination to defend our country's liberty from an internal corruption which has been with us too long.

PREPARED STATEMENT OF PATRICK F. HEALY

EXECUTIVE DIRECTOR
CHICAGO CRIME COMMISSION

Mr. Chairman, it is indeed an honor to appear before this Subcommittee to offer on behalf of the Chicago Crime Commission and the citizens of this city any assistance and support that will enable this Subcommittee to conduct a full and informative investigation on organized crime in the city of Chicago. My name is Patrick F. Healy and I am the Executive Director of the Chicago Crime Commission. I have been involved in prosecutorial work for the last 24 years; I have been both a county and federal prosecutor, as well as the Executive Director of a national organization of prosecutors. I am conversant with many of the problems of law enforcement.

You have heard from the Commission's President about the aims, purposes and hopes of the Chicago Crime Commission as they relate to your Subcommittee's visit here and the assistance you may give us now and in the future. You will hear from the Commission's Consultant, Mr. Roemer, who is an expert on organized crime, especially as it pertains to Chicago. The purpose of my testimony and documentation, is to call to the Subcommittee's, and public's, attention the raw and savage power of organized crime and its contempt for the law; and restate that which was said 20 years ago about the same problem. There is no greater way to emphasize this point than to show the gangland slayings in Chicago dating back to 1919, when the Commission first started to keep records. These killings, or executions, are done for a variety of reasons. They are executions to rid one of competitors, to show that those trying to muscle into illegal businesses will not be allowed to do so;

they are done to send a message to those dealing with organized crime and who welch on their obligations and debts; they are done to those who inform and cooperate with law enforcement; and they are done to those who stand in the way of ambitious labor racketeers.

When you review the listings and the circumstances of the murders, you will see that organized crime, in the pursuit of its illegal activities, knows only one rule -- that of power, greed, terror and discipline. After reviewing the record, one has a strong feeling of despair and anger as to what has to be done to stop this outrage. The record does not reflect well on law enforcement. The record also serves to reflect several other factors which should be a source of equal embarrassment to the public. One segment of society cannot point a guilty finger at the other; all must share the blame. The public attitude toward these gangland slayings is one of apathy -- writing them off as "what do we care, they're killing each other -- they deserve what they get." Whereas, if the same killings involved a businessman locking up his store, or a woman coming out of a shopping center, or a child coming home from school, it would swell up such revulsion in the community that I am sure that we would see legislative reform as well as law enforcement action so swift that the Supreme Court might question its constitutionality because of such swiftness. One must wonder why we cannot have the same dedication and swiftness on these gangland murders. We seem to shrug our shoulders and say, it is life in the big city. Well, Mr. Chairman, we respectfully submit to you it may be life in the big city,

but it is completely unacceptable to the Chicago Crime Commission which speaks on behalf of the law-abiding citizen. Something must be done; something can be done if we wish to do so.

The murders, however, are not in and of themselves the problem. They reflect a condition. They manifest problems in our society that we can change if we are sincere. The problem is in the administration of the criminal justice system as a total entity in its fight against organized crime. Some of the matters we must consider, whether it is by this Subcommittee or the citizens or the State Legislature, are problems such as jurisdiction. Law enforcement has a jurisdictional problem. The law determines jurisdictional limits and when law enforcement agencies come to that limit, they have various options open to them -- they may drop the investigation or they may turn it over to another agency. Those options may not all be professional or dedicated as they should. Organized crime has no jurisdictional problems. It crosses city, county and state lines with impunity. To criss-cross the country to promote its illegal schemes is a daily occurrence. This is a luxury law enforcement does not have. From the start, law enforcement is handicapped. The killings just in this exhibit show people are killed outside the city and brought in; killed inside the city and brought out. Sometimes we don't know where they're killed.

Another problem to consider is resources. During these strained financial times, everybody is reviewing resources and priorities. It is impossible to fight organized crime without a firm commitment of substantial resources. It cannot be done by a reshuffling of personnel, or a one-time investigation,

or by a part-time effort of various groups. It must be a substantial, long-term effort. We have yet to see that effort on either the local or national level. We are mindful of the demand of the taxpayers' dollars. We are mindful of demand for social services by the taxpayers. We are also very mindful of the devastating affect that organized crime has on society, on the social services, and on the quality of life, if it is not curtailed. It is short-sighted to short-change law enforcement for the sake of other social problems.

Another thing to consider is personnel. In this day and age, with our advanced technology, we can develop a sophisticated talent to fight organized crime if we truly wish to make such an effort. It is absurd and naive to think that untrained peace officers who assist citizens in complaints, who conduct traffic control or perform other general peacekeeping duties, can be transferred into an organized crime unit and be effective. I know of few law enforcement agencies, not only in this city but across the nation, that have the dedicated, professional staff with sufficient depth to address the problem. I am speaking of highly trained accountants who must ferret out complicated paper trails to uncover illegal schemes, experienced prosecutors, who are willing to dedicate long years to this cause, and intelligence experts, who over the years develop vast resources of knowledge to be shared with each other. The commitment cannot be met by an annual rotation of personnel that takes place at all levels. Organized crime works 24 hours a day at its skullduggery and sophisticated efforts to circumvent the law. We should expect law enforcement to do no less.

Another point for consideration is to discover the true power structure of organized crime. We are at a time in which organized crime is very sophisticated and its leaders are insulated from detection, prosecution and punishment. As interesting as the charts are that will be presented to this Subcommittee, it would be more interesting to have a chart of those who should be up there. Why can't we develop a corporate listing of mob owned or controlled companies? Why should the businessman have to suffer a loss or lose his company before he awakens to the fact that he is dealing with organized crime? At times we may depend upon accomplices, undercover agents, and surveillance; but, though these methods may prove useful, success is rare, because of the wall of silence and terror. We must rely upon other methods available to us. Changes in the law, that will give us an equal footing, are needed -- I am referring to electronic eavesdropping. I will not address myself to this matter since you will be hearing from one of our Consultants, Professor G. Robert Blakey, on this in greater detail. The successful prosecution of the current Teamsters case and their sentencing hearing was possible largely because of electronic surveillance. Is it any wonder that there is strong opposition against proposed wiretapping laws for law enforcement.

Substantive laws must also be considered. We have enough laws on our books in most cases to perform our duties. The problem exists that the laws do not always keep pace with the times and punishment does not fit the violation.

When reviewing our laws, consideration of the damage that organized crime is inflicting on society must be considered so that the punishment will fit the crime. To expend valuable resources on the investigation of an organized crime figure only to charge him with some minor violation is ludicrous. We should be in a position to convict these figures for the crimes we know they are committing.

Further consideration must be given to the area of sanctions. When and if we are fortunate enough to get a conviction, a strong sentence must follow, anything else would make a mockery of our efforts. There should be wider use of fines and seizure of assets. They must be stripped of their ill-gotten gains.

We understand the attitude shared by many, although we do not agree with it, that a little vice, prostitution and gambling isn't all that bad. They ask "why should I send a man to jail for accepting a bet or visiting a house of ill-repute?" One cannot look at this as a singular violation; it must be considered only a small part of a larger network. Individual violations are only planting and incubating the seed of corruption for organized crime and law enforcement. It is naive not to recognize this. As much as I do not wish to present a negative picture, the record is the only evidence you have before you. The record is what the citizens must live with. What has law enforcement done in Chicago since the 1970's? Who of note has gone to jail? Has the syndicate been broken? Is prostitution reduced? Is gambling under control?

Are the labor unions purged? I understand that people will testify that great things are scheduled for the future. They generally do, and I hope they are correct. But, I ask again, what is the record? Actions speak louder than words. I submit our efforts to fight organized crime in this city have been a dismal failure at all levels. Because of this, I question whether we are serious about fighting organized crime.

We recognize there are times when the problem is of such magnitude that it can only be addressed at the federal level. Two points must be kept in mind. We should resist the slightest suggestion of a federal police force; and we should beware of local agencies using such reasoning as an excuse not to act. The primary responsibility to fight organized crime lies with local government. It is imperative that a message be sent to the public -- that organized crime has a serious detrimental affect on their daily lives. If the public knew how much more they are paying for their goods, services and the cost of running their government because organized crime is unchecked, they would very likely take to the streets. The fact that organized crime is subtle -- acting like a thief in the night, operating behind the scenes through frontmen, politicians, dummy companies -- enables it to go undetected and unchallenged by the government. We must demand more of our citizens and the citizens must demand more of its law enforcement agencies.

Thank you for the opportunity to testify.

PREPARED STATEMENT OF EDWARD D. HEGARTY

SPECIAL AGENT IN CHARGE, CHICAGO DIVISION,
FEDERAL BUREAU OF INVESTIGATION
CHICAGO, ILLINOIS

Mr. Chairman, and members of the Senate Permanent Subcommittee on Investigations, I am pleased to be here today on behalf of the Federal Bureau of Investigation to furnish information in connection with this Subcommitte's hearings into the nature and influence of organized crime in the Chicago area.

I have been assigned as the Special Agent in Charge of the Chicago Division of the Federal Bureau of Investigation since March, 1982. During my career of some 27 years, I have had the opportunity to have many assignments which directly involved the investigation and/or study of Organized Crime. I have studied both the Italian and Sicilian languages and have been directly involved since early 1961 as a street Agent, program coordinator, field supervisor, FBI Headquarters Supervisor, Inspector, Assistant Special Agent in Charge, and Special Agent in Charge in a wide variety of Organized Crime Program investigations. I have worked extensively on Organized Crime Program matters in Pennsylvania, New Jersey, New York, Ohio, Maryland, and Illinois, and I have studied the Organized Crime Programs of over half of the FBI Field Divisions, including all of the FBI's top twelve offices.

For your information, the Chicago Office of the FBI encompasses the 18 counties of the Federal Judicial District of Northern Illinois.

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My statement will consist of four parts. First, a review of the organization of La Cosa Nostra Family (LCN) in northern Illinois and the nature and extent of the criminal activities in which LCN either engages or controls. In the second part I will discuss several completed investigations which graphically portray the capabilities and power of LCN. In the third part I will outline the legislative initiatives now being supported by the Federal Bureau of Investigation and Department of Justice. In the fourth and last part I want to discuss the inter-relationship between White Collar Crime, Public Corruption, and Organized Crime and briefly give an insight as to what our investigative efforts have shown in support of the relationship. I will also survey the current thrust of our investigative efforts.

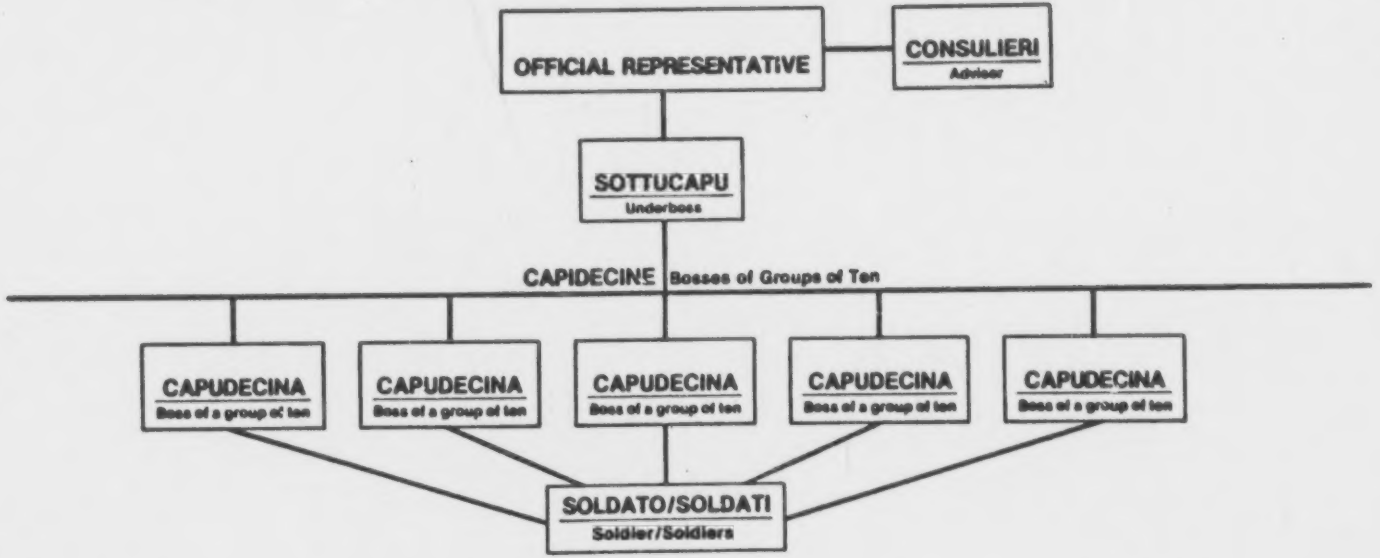
CHICAGO FAMILY OF LA COSA NOSTRA
ORGANIZATIONAL STRUCTURE

The Chicago Family of La Cosa Nostra (LCN) is an organized criminal enterprise which consists of an upper echelon leadership core, a mid-management level referred to in Chicago as "street bosses", and the workers, or in LCN parlance "the soldiers". To assist in the understanding of the organizational structure, I have prepared a chart which graphically illustrates the structure of the Chicago LCN Family (attached).

The leader of LCN in Chicago is Joseph John Aiuppa, the Rappresentandu Ufficiale (official representative) or "boss". Aiuppa in effect sets policy as to the conduct of the business of LCN Family in Chicago.

The second in command, called the Sottucapu or "underboss", is John Philip Cerone, also known as Jack "The Lackey" Cerone. Another position in the upper echelon leadership core is the position of Consulieri or "advisor". This position in the Chicago LCN Family is currently held by a former "boss" of the Chicago LCN Family, Anthony Joseph Accardo, also known as "Joe Batters" and "Big Tuna". He is considered a senior consultant to the boss of the Chicago LCN Family. He is known to have been a protege of the late Al Capone.

THE CHICAGO FAMILY OF LA COSA NOSTRA



The mid-management positions, called Capidecine, which literally means "Bosses of Groups of 10", are referred to in Chicago as "street bosses". The Chicago LCN Family currently has six known Capidecine or "street bosses"; five in Chicago and one in Rockford, Illinois. These individuals control criminal and racketeering activity, usually in a particular geographical area. For example, one street boss controls the north side of Chicago. Another is responsible for the west side of Chicago, while a third controls the near south and southwest side of the City of Chicago. The far south side of the Chicago metropolitan area and the Rockford area are controlled by others.

Each Capudecina in turn controls a group of trusted workers known as Soldati (soldiers). These soldiers compose what in the Chicago LCN Family is known as a "street crew" and they in turn handle the day to day criminal activity which will include, among others, loansharking (juice), prostitution, extortion, and all forms of gambling.

The membership of the Chicago LCN Family is composed of Italians of Sicilian, Calabrese, and Napolitan origin. Its sphere of influence, however, reaches out in all directions and effectively works with and controls persons of all ethnic and racial groups.

CHICAGO FAMILY OF LA COSA NOSTRA
NATURE OF CRIMINAL ACTIVITY

The Chicago La Cosa Nostra (LCN) Family continues today, as it has throughout its history, to obtain lucrative income from the traditional racketeering and vice activities. These include but are not limited to loansharking, extortion, gambling, prostitution, and labor racketeering.

With respect to labor racketeering, many of the activities and members of the Chicago LCN Family are given "cover" by unions, thus providing a degree of respect and legitimacy. It takes four vital components to make up a full grown labor racket, i.e., dishonest labor leaders, unscrupulous employees, crooked public figures, and professional criminals. The Chicago LCN has long recognized the advantages of controling the unions. During Al "Scar Face" Capone's regime nearly two-thirds of all unions were under his domination. To a great degree the Chicago LCN continues to maintain this grip on organized labor. The ultimate result has been in many instances an amalgam of "hoodlums", corrupt unions, and corrupt public officials formed into an enormous power base. Not only does this generate significant income for Organized Crime, but equally as important, provides a high degree of insulation against prosecutive interference.

Union pension and welfare funds provide a lucrative source of income for organized crime. Loans may be awarded, not on the basis of sound lending practices, but rather to whoever is willing to pay a "finders fee" to a middleman. This middleman often is an union official, consultant, or associate. The membership loses out on uncollectable loans but the official is enriched by the "up front" money which is nothing but ill-disguised "kickbacks". Union officials will misapply the funds in other ways in outright embezzlement schemes. Pension and operators funds are deposited in certain favorite banks or handled by corrupt associates, lawyers, fund brokers, or insurance agents.

The schemes for embezzlements and kickbacks involving unions and health/welfare funds, and specifically involving high level LCN figures, are often quite sophisticated and complicated necessitating the subpoenaing and review of a multitude of records from union funds, banks, and service providers. In this regard, investigation in PENDORF and the Laborers' Union International cases, which I will discuss in more detail in a minute, have clearly demonstrated the LCN involvement and control of labor unions.

In addition, the Chicago LCN Family receives lucrative revenues through the assessment of "street tax", a form of extortion of individuals involved in various forms of criminal activity. It is a continual assessment or levy placed by Organized Crime on certain individuals involved in illegal activity. Through the payment of "street tax", these individuals are permitted to engage in the particular type of criminal activity. The "street tax" is generally collected by a soldier of a particular street boss and this soldier will make weekly or monthly visits to pick up the "street tax". Bookmakers, burglars, and salvage operators involved in chop shop activity are favorite targets of Organized Crime for payment of "street tax". It is not uncommon for bookmakers or salvage yard operators to become victims of gangland killings when they refuse to pay. Many of the gangland killings which occur in Chicago result from the failure of bookmakers, burglars and salvage yard operators to pay the "street tax". In essence, "street tax" is a payment for the privilege of carrying on criminal activity in Chicago.

COMPLETED INVESTIGATIONS

I now wish to discuss several investigations which have been successfully prosecuted to highlight the power and influence of LCN. The first case is the PENDORF case; an investigation into the activities of Allen M. Dorfman who was the controlling shareholder and Director of Amalgamated Insurance Agency Service, Incorporated, a company, at that time, under contract to administer claims submitted to the Teamsters Central States, Southeast and Southwest Areas Health and Welfare Fund. Dorfman also controlled a number of other insurance and insurance related entities. Dorfman had a close relationship with several present and former trustees of Teamsters Central States, Southeast and Southwest areas Pension Fund (CSPF) and with high level Teamsters Union officials. Dorfman in turn was controlled by the Chicago and Kansas City Organized Crime groups and was directly subservient to Joseph Aiuppa, operating boss of the Chicago LCN.

The PENDORF investigation consisted of extensive court authorized wire tap coverage of Allen M. Dorfman and the office space occupied by Dorfman and associates. The thrust of this investigation was to identify the influence of organized crime into legitimate business and labor unions and to develop prosecutable cases.

During the course of the wire tap coverage outlined above, a number of illegal schemes were uncovered. One of these schemes, now known as the Wonderworld property scheme, has been successfully prosecuted here in Chicago and the subjects are now awaiting sentencing.

The Wonderworld property was a parcel of land located in the exclusive Las Vegas Country Club estate section of Las Vegas, Nevada, owned by the CSPF. This land scheme related to a conspiracy by Allen M. Dorfman and others to bribe United States Senator Howard Cannon, Chairman of the Senate Commerce Committee, in exchange for his commitment to delay and give International Brotherhood of Teamsters (IBT) input favorable consideration to any legislation which would substantially deregulate the trucking industry. In return for the Senator's commitment, Allen Dorfman and Roy Williams made numerous attempts to pave the way for Senator Cannon to acquire the Wonderworld property owned by the Central States Pension Fund and located in Las Vegas, Nevada.

On January 10, 1979, a meeting was held in Las Vegas, Nevada, where it was agreed that Roy Williams, Allen Dorfman, and others would attempt to acquire the Wonderworld property as part of the scheme to bribe Senator Cannon. Despite the efforts by Dorfman and Williams to acquire the Las Vegas property for Senator Cannon from January 11 to July, 1979, the land was sold to another party.

On May 22, 1981, a Special Federal Grand Jury, at Chicago, Illinois, returned an eleven (11) count indictment charging various violations of Federal laws, including conspiracy to bribe a United States Senator, against Allen M. Dorfman, Roy Lee Williams, and others.

Following an extensive trial which commenced on October 12, 1982, the jury returned guilty verdicts against all five PENDORF defendants on all counts of the indictment on December 15, 1982. Sentencing was set for February, 1983.

On January 20, 1983, Allen Dorfman was killed gangland style and the investigation of this murder is continuing to date.

During the first full week of February, 1983, a sentencing hearing commenced in United States District Court, Chicago, and is continuing as of this date.

Another case I would like to review is an investigation into the Laborers' International Union of North America (LIUNA).

This investigation was initiated in September, 1976, with information provided by a cooperating witness resulting in the execution of search warrants at the business office of Consultants and Administrators, Incorporated (C&A). The Chicago investigation led to the development of an investigation in Miami, Florida, where C&A had similar contracts with Laborers Union. Further investigation developed the link between C&A

subjects and those dealing with Joseph Hauser related insurance companies. On June 3, 1981, the indictment was returned in Miami, Florida, charging the operating hierarchy of the Laborers' International Union of North America and major organized crime figures with having used that union to further their own economic interests through kickbacks for the granting of union business.

The conspiracy charged that this group of individuals combined not only to obtain kickbacks for health care and life insurance franchises in Chicago and south Florida, but also planned a grand scheme wherein Joseph Hauser, through a life insurance company, would cover all of the building trade unions and eventually all unions in the United States. It was understood that all of the conspirators would be "partners" in Hauser's nationwide life insurance company. Similar, but less fully-developed, plans were held for the health care field, of which C&A, a Chicago based optical and dental care company, would likely be the operating base.

The LIUNA trial concluded in Miami in June 29, 1982, with eight convictions on the RICO Conspiracy charge. Those convicted were:

JAMES CAPORALE

James Caporale is the Secretary-Treasurer of the Chicago and Vicinity District Council to the Laborers' Union, and a Special International Representative of the Laborers' Union.

JOHN GIARDIELLO

John Giardiello is the President and Business Agent of Laborers' Local 767 in Palm Beach County, Florida.

SEYMOUR GOPMAN

Seymour Gopman was legal council to the South East Florida Laborers' District Counsel and affiliated health and welfare funds.

LOUIS OSTRER

Louis Ostrer was principal operator of two New York companies used to funnel kickback money.

ALFRED J. PILOTTO

Alfred J. Pilotto was President of Laborers' Local 5, Vice President of the Laborers' Chicago District Council, and a Special International Representative of the Laborers' Union.

BERNARD RUBIN

Bernard Rubin was President of the Southeast Florida District Council of the Laborers' Local 478 and a Special International Representative of the Laborers' Union.

SALVATORE TRICARIO

Salvatore Tricario was Business Agent and Secretary of Laborers' Local 767 in Palm Beach County, Florida.

GEORGE WAUGNEUX

George Waugneux was President of Sage Corporation in Florida which was used to funnel kickback money.

The three defendants who were acquitted were:

ANTHONY ACCARDO

Anthony Accardo, the past boss and present consulieri of the Chicago LCN Family.

ANGELO FOSCO

Angelo Fosco, the President of the International Laborers' Union.

TERENCE O'SULLIVAN

Terence O'Sullivan who was Secretary-Treasurer of the International Laborers' Union.

Five defendants were severed prior to this proceeding due to appeals and illnesses and the trial of these defendants is not expected to be scheduled in Miami until sometime in 1983.

On September 14, 1982, United States District Court Judge James Kehoe imposed the following sentences in Miami:

Seymour Gopman - 5 years, 4 months.

Bernard Rubin - 8 years, concurrent with present sentence.

Louis Ostrer - 7 years, concurrent with present sentence.

George Waugneux - 7 years, concurrent with present sentence.

Salvatore Tricario - 12 years, continued on Appeal Bond.

James Caporale - 12 years, continued on Appeal Bond.

John Giardiello - 12 years, continued on Appeal Bond.

Alfred Pilotto - 20 years, bond revoked, remanded to custody of United States Marshal.

The next case that I will mention today concerns the International Brotherhood of General Workers Union (IBGW). The purpose of the IBGW is twofold; first, to organize musicians and entertainers who travel to the United States from Mexico, and second, to organize factories in the Chicago metropolitan area whose employees are primarily of Mexican origin.

The master plan of George Rodriguez, President of the IBGW, was to create a bilateral agreement with the union president of the Mexican musicians in Mexico. Under this plan, all Mexican musicians who belong to the Mexican union who traveled to the United States would automatically become members of the IBGW. Once these Mexican musicians arrived in the United States, they were entitled to health and welfare benefits, prepaid legal benefits, and social service benefits. All health and welfare benefits under this plan would be processed by Amalgamated Insurance Company. It was estimated that thousands of Mexican musicians would travel to the United States during a given year. To help promote this bilateral agreement with the Mexican musicians, Allen Dorfman traveled to Mexico City with George Rodriguez. At this meeting, Dorfman outlined plans for insuring the Mexican musicians. Once again all claims would be processed through Amalgamated Insurance Company. Additionally, during this investigation we developed information that Dorfman, at times, personally helped Rodriguez with his union activities.

The union organized several factories in the Chicago metropolitan area. As of 1982, it had approximately 600-800 members. Health insurance provided to these members generated approximately $360,000 annually. These premiums were underwritten by United Founders Life Insurance Company, and claims were processed by Meridian, which is a subsidiary of Amalgamated Insurance Company. Results of the investigation indicated that the Teamsters and the United Production Workers unions generally had a hands-off policy regarding the IBGW. This allowed Rodriguez to organize such plans without having opposition from unions like the Teamsters.

In September, 1982, George Rodriguez was convicted of 14 felony counts that included Fraud by Mail, Fraud by Wire, and the embezzlement of approximately $270,000 under ERISA laws, after a trial by jury. He was fined $10,000 and sentenced to five years in prison. Rodriguez is currently in fugitive status. Victor Rodriguez, Vice President of the union, was convicted on one felony count for the embezzlement of $75,000, and was sentenced to one year in prison and fined $10,000. Jose Garza, a trustee of the union, was convicted on 8 felony counts and is currently in fugitive status. Reyes Martinez, the accountant for the union, pled guilty to one count of Obstruction of Justice.

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During the operation of the IBGW, it is estimated that the union generated about $800,000 in various benefit plans which included health and welfare, prepaid legal services, and a social service fund. In December, 1982, the Department of Labor froze all of the union trust accounts and put them under a receivership. This action is still pending.

As you can see, this case is another example of the inter-relationships of the unions with the service providers, such as Amalgamated Insurance Company, which in turn have the Organized Crime connections with were so clearly exposed in the PENDORF case.

Another group of interest to this Committee is the Outlaw Motorcycle Gang. The Chicago chapter of this group is known to be the home chapter of the National Outlaw Motorcycle Gang Organization. The Chicago Office of the Federal Bureau of Investigation (FBI) in a joint investigation with Alcohol, Tobacco and Firearms (ATF) developed a case which has had a major impact on the criminal activity of the Outlaw Motorcycle Gang in northern Illinois.

This investigation was predicated upon the kidnaping of Betty Darlene Callahan and Thomas Eugene Forester from a motel in Asheville, North Carolina, and the murder of Forester in an abandoned mine shaft near Boone, North Carolina. Callahan was then brought to the Chicago, Illinois, area by Hattaway and Miller and placed with members of the Outlaw Motorcycle

Gang, allegedly for prostitution in order to repay a debt allegedly owed by Forester to the Outlaw Motorcycle Gang. Callahan escaped and contacted the FBI at Chicago.

Information provided by Callahan was disseminated to ATF and resulted in a search warrant being jointly executed by FBI and ATF, Chicago, at Thomas R. Stimac residence. Evidence seized further corroborated Callahan's story.

On May 27, 1982, Allan Ray Hattaway, Garn Hansford Miller, Thomas R. Stimac, Martin J. Curran, Robert George Burroughs, and Rita Marie Stimac were each indicted by a Federal Grand Jury, Northern District of Illinois, for the charges of kidnaping, conspiracy to kidnap, the Mann Act, conspiracy to violate the Mann Act, and Federal firearms violations. Trial in this case began October 18, 1982, in United States District Court, Northern District of Illinois, and on November 5, 1982, the jury returned verdicts of guilty on all subjects except Rita Marie Stimac who received a directed verdict of not guilty.

Hattaway and Miller have both been charged in the murders of Thomas Forester and Lonnie Marshall Gamboa whose bodies were found in an abandoned mine shaft near Boone, North Carolina. Trial in this matter will take place in Asheville, North Carolina.

The home chapter of this organization has since moved to Jacksonville, Florida, where its members currently face Federal prosecution under the RICO Statute.

LEGISLATIVE INITIATIVES

As I mentioned earlier, I would like to address several legislative initiatives which the FBI considers important to our overall operations and would certainly impact favorably on our efforts in the investiation of Organized Crime.

The first is an amendment to Title III. The current authority for emergency intercepts without a prior court order covering covers two instances: First, when an emergency situation exists with respect to "conspiratorial activities threatening the national security;" and second, when an emergency situation exists with respect to "conspiratorial activities characteristic to Organized Crime". The FBI strongly supports legislation which would add to these conditions authority for emergency wire taps when the offense involves an immediate danger of death or serious physical injury to any person. Such an expansion of this emergency authority would allow investigative opportunities when there is a threat of immediate danger wherein an Organized Crime tie might not be established in the initial set of circumstances.

The FBI is also supporting the permanent legislation authorizing the Bureau in the course of undercover operations to purchase real and personal property, lease space, establish or acquire proprietary corporations or business entities, deposit appropriated funds and proceeds from undercover operations

into bank accounts other than in the name of the government, and to use the proceeds from undercover operations to offset expenses.

Currently we get this authority in the annual authorization legislation. The permanent legislation would preclude lapses in authority which attend the hiatus between authorization bills. The use of the undercover technique has been an important aspect of our multi-facit approach to the investigation of Organized Crime and such legislation would insure continuity in authority which would enhance the efficiency and effectiveness of the investigative process.

A final legislative initiative which impacts directly upon the safety of our Special Agents and the welfare of their families is a recommendation to allow payment of per diem at an employee's official duty station. This legislation would allow for payment of transportation and per diem for Special Agents and their families who must be temporarily housed away from their home, but still within their duty station, to protect them from threats made in connection with their investigative assignments.

There have been several instances, especially in connection with the efforts of undercover operatives wherein threats to their safety and the safety of their families have necessitated such moves. This legislation would remove a financial hardship incurred purely as a result of a Special Agent's performance of his assigned duties.

SUMMARY AND CONCLUSIONS

I could not leave a discussion of Organized Crime without once again highlighting the importance of public corruption to the success of Organized Crime. Public Corruption is the seed bed upon which Organized Crime grows and flourishes. It is the corrupt official, through the power of the office held, who can give the members of the criminal element the fronts of respectability, access to records, advantages in bidding processes, fraudulent licenses and permits, false documentation for criminal purposes, illegal tax assessment relief, and a host of other advantages not available to the average citizen if the public official is true to his/her oath of office. Our investigative efforts in the area of White Collar Crime and public corruption are exposing insidious examples of such misplaced trust by our public officials.

I will mention a few such cases. A classic case, now known as the Marquette 10 Case, worked jointly with the Internal Affairs Division of the Chicago Police Department, is one wherein 10 Chicago Police Officers were found guilty of taking bribes from street criminals involved in major narcotics trafficking and allowing the criminal activities to continue unchecked.

The Cook County Board of Tax Appeals case is another example wherein bribes to public officials resulted in reductions of the assessed value of taxable property in excess of $180,000,000. To date 22 public officials, tax consultants, attorneys, and real estate developers have been convicted in United States District Court, Chicago.

In another case, the conviction of 31 Inspectors in the City of Chicago, Bureau of Electrical Inspection in 1979 and 1980 demonstrated a pattern of organized and systematic shake downs. The evidence admitted at trials proved legitimate and electrical contractors were victimized and that illegitimate fly-by-night businesses were sponsored by the inspectors for 10% of the contract price per job. This investigation demonstrates a corrupt relationship between the commercial sector and the city governmental agency responsible for regulation. This pervasive practice resulted in escalated building costs to the consumer.

Throughout this century White Collar Crime, Public Corruption and their inter-related by-product Organized Crime have thrived in northern Illinois. The Chicago Division of the FBI, working closely with United States Attorney Dan K. Webb, has recognized this problem and is addressing it with vigor. Our office allocates approximately 50% of our resources to White Collar Crime - Public Corruption and Organized Crime investigations. This commitment will continue, and we expect further successes in the future. Joint investigations currently underway with Superintendent Richard J. Brzeczek and various members of the Chicago Police Department will seriously impact upon Organized Crime in Chicago. Similarly, investigations we are working jointly with other components of the law enforcement community will result in a lessening of Organized Crime's grip on northern Illinois.

I thank you, Mr. Chairman, and your Committee for your concern for the Organized Crime Problem in northern Illinois.

PREPARED STATEMENT OF RICHARD J. BRZECZEK

SUPERINTENDENT, CHICAGO POLICE DEPARTMENT TO THE SENATE PERMANENT SUB-COMMITTEE ON INVESTIGATIONS

I APPRECIATE BEING INVITED TO APPEAR BEFORE THIS SUBCOMMITTEE, AND THE OPPORTUNITY TO SHARE WITH YOU THE EXPERIENCES, OBSERVATIONS AND POSITIONS OF THE CHICAGO POLICE DEPARTMENT REGARDING ORGANIZED CRIME.

YOUR ATTENTION IS NECESSARY AND CRUCIAL IF WE ARE TO EFFECTIVELY COMBAT ORGANIZED CRIMINAL ACTIVITY, IN THAT IT IS TRULY A MAJOR MALAISE OF OUR SOCIETY, AND IS AN ISSUE OF NATIONAL SCOPE AND IMPACT.

THE ISSUES INVOLVED, THE MYRIAD OF STATISTICS AND VARYING OPINIONS TEND TO CONFUSE THE ISSUES, WHEN DISCUSSING ORGANIZED CRIME. WE COULD SURELY SPEND A SOLID WEEK DISCUSSING ONE ELEMENT OF ORGANIZED CRIMINAL BEHAVIOR OR ENTERPRISE, SUCH AS GAMBLING OR LABOR RACKETEERING. I WILL, THEREFORE, STRUCTURE MY TESTIMONY INTO THREE MAIN AREAS. I BELIEVE THAT THIS WILL NOT ONLY FACILITATE YOUR CONSIDERATIONS OF THE SPECIFIC PROBLEMS THAT AFFECT THIS AREA OF THE COUNTRY, BUT WILL ALSO ALLOW FOR A CONCISE, YET THOROUGH, OVERVIEW OF THE ISSUES WITH WHICH YOU ARE CONCERNED.

FIRST, I WOULD LIKE TO MAKE SOME GENERAL OBSERVATIONS AND REMARKS REGARDING THE NATURE OF ORGANIZED CRIME IN AMERICA, INCLUDING WHAT WE SEE AS CURRENT TRENDS. I WILL ALSO COMMENT, THOUGH BRIEFLY, ON SOME OF THE SPECIFIC AREAS OF CONSPIRATORIAL CRIMINAL ACTIVITY THAT CONSTITUTE THE BASIS OF ORGANIZED CRIMINAL GROUPS.

SECONDLY, I WILL BRING THESE GENERAL REMARKS AND OBSERVATIONS INTO THE MORE RESTRICTIVE ARENA OF OUR EXPERIENCE IN THE CHICAGOLAND AREA. I AM SURE THAT A MAJOR INTEREST OF THIS SUBCOMMITTEE IS NOT ONLY HOW WE PERCEIVE THE PROBLEM, BUT WHAT WE HAVE DONE TO COPE WITH IT. I DO NOT INTEND TO RATTLE OFF ENDLESS, AND OFTEN IRRELEVANT, STATISTICS. I DO BELIEVE, HOWEVER, THAT THE ORGANIZATIONAL AND MANAGEMENT APPROACH WE HAVE INITIATED DURING THE COURSE OF THE LAST THREE YEARS IS SIGNIFICANT AND HAS SHOWN DEFINITE RESULTS.

THIS APPROACH, COUPLED WITH A POLICY OF TARGETING HIGHER LEVEL OPERATIVES OF ORGANIZED CRIME, ALONG WITH ONE OF THE COOPERATIVE EFFORTS WITH ALL AGENCIES WITHIN THE CRIMINAL JUSTICE SYSTEM, HAVE YIELDED RESULTS WHICH I BELIEVE ARE PERTINENT TO YOUR INQUIRIES.

FINALLY, I WILL COMMENT ON WHAT WE PERCEIVE AS THE IMPEDIMENTS TO A MORE EFFECTIVE FIGHT, AND WHAT WE SEE AS NEEDED EFFORTS WITHIN THE SYSTEMS OF OUR GOVERNMENT AND ITS AGENCIES. I KNOW THAT THE MAJOR INTENT OF YOUR SUBCOMMITTEE IS TO GATHER INFORMATION, ON WHICH TO INITIATE LEGISLATION IN THIS AREA. I AM PLEASED TO AVAIL MYSELF OF THIS OPPORTUNITY. I DO NOT HAVE THE PANACEA FOR THE PROBLEMS, AND I AM SURE THAT YOU HAVE ALL HEARD SIMILAR COMMENTS FROM OTHERS IN THE FIELD. I WILL, HOWEVER, COMMENT FROM THE POSITION AS THE CHIEF EXECUTIVE OFFICER OF A MAJOR AMERICAN CITY WHICH HAS FOUGHT THIS PROBLEM FOR MANY YEARS.

When discussing organized crime, it is necessary that we all understand exactly what the term denotes. There are many definitions and interpretations of what "organized crime" constitutes. Some individuals think only of the glamorized Hollywood stereotypes in the tradition of the "Godfather" movies. Others go to the opposite extreme and consider any two individuals conspiring to violate the law as engaging in "organized crime." Neither position is correct, yet elements of truth can be found in each. What we must do is define exactly what we mean by organized crime. Further, in recognition of the elements of truth contained in each position mentioned, it is helpful if we differentiate two sub-groups within this general definition.

Organized Crime is best defined as a group of individuals who have formed a conspiratorial relationship aimed at accruing financial gain and power. The organization's activities are without regard to existing laws and manifest themselves in various forms of illegal and anti-social behavior. The organizations maintain internalized discipline and rules are often complex with a set hierarchy which maintains controls to ensure the insulation of the leaders from association with illegal activities. Many organizations maintain themselves as entities over a long period of time, display all the elements of common organizational structure, and readily adapt to modern management techniques and technological advancements such as computers and sophisticated electronic devices.

From this basic definition, we can now make a further differentiation as to Traditional and Functional Organized Crime. If we do this, we can eliminate much of the confusion generated by diverse interpretations of exactly what types of groups we are talking about.

Traditional Organized Crime describes those organizations that have been on-going since the turn of the century under various names such as the "Mafia," "La Cosa Nostra," "Outfit," "Syndicate," etc. It is these criminal organizations that most citizens think of as organized crime. In recent years these groups have developed new thrusts marked by two traits:

1. Increased sophistication and insulation.
2. The ever-present readiness to recognize opportunities and move into areas which will yield profit.

Traditional and historical norms of profiting from random violence and overt intimidation have been deemphasized. These traditional organized crime groups prefer the methods of modern corporations. The "Crime Syndicate" of years past is now big business. Its front line is no longer the street "soldiers" and "buttonmen" of past years. The operatives of these organizations are now lawyers, accountants, computer experts and persons skilled in the complex dealings of the business community.

This is not to say that violence and murder have been totally discarded, rather, these groups prefer to avoid violence in that it brings attention to their activities and causes community pressure to build against them. When they feel threatened, however, the potential is there for unlimited violence. The murder of Allen Dorfman in January, closely followed by the attempted murder of Ken Eto in February, clearly illustrate the lengths to which the hierarchy will go to insure their insulation. It is apparent that factions within organized crime feared that both Dorfman and Eto, facing prison terms, would talk to authorities about the inner workings of the mob, (fortunately, this assumption has proven correct in the case of Ken Eto).

Such violent acts receive great attention. They are not, however, at the level of years past. The corrupting efforts that lay away from the public eye, however, have more of a potential threat to our business and social institutions of today. Traditional organized crime has moved from the inner city neighborhoods where it was spawned and matured, and has settled in the suburbs and executive offices of downtown. Its leadership is no longer to be found in the neighborhood social clubs, sandwich shops and taverns. They are now seen in country clubs, suburban restaurants and airport terminals. Its tentacles reach into every facet of our daily lives. People do not realize they are dealing with it, but it is there.

You may ask where traditional organized crime is. Where can you see it? It is in this room. Look around.

THERE ARE MANY PEOPLE IN THIS ROOM RIGHT NOW. THIS IS A VERY PRISTINE GROUP. CONCERNED CITIZENS AND BUSINESSMEN, LAW ENFORCEMENT OFFICIALS, LEGISLATORS, AND VARIOUS REPRESENTATIVES OF THE MEDIA. WE ALL HAVE MORTGAGES, BELONG TO PENSION PLANS, HAVE FRIENDS AND ACQUAINTANCES WHO WE COMMUNICATE OPENLY WITH AND MAY FEEL INDEBTED TO. WHERE DO WE BUY OUR GOODS? WHO DOES OUR DRYCLEANING OR COLLECTS THE GARBAGE FROM OUR BUSINESS ESTABLISHMENTS? DO WE BUY CIGARETTES OR CANDY EVERYDAY FROM CERTAIN VENDING MACHINES? WHO OWNS THE PARKING LOT WHERE YOU PARK YOUR CAR. THIS IS TOTALLY IRRESPECTIVE OF WHAT CITY YOU LIVE IN, AND IT IS IN THESE QUESTIONS THAT WE FIND OUT WHERE TRADITIONAL ORGANIZED CRIME CAN BE FOUND. EVERY PERSON IN THIS ROOM UNDOUBTEDLY HAS SOME MONEY IN THEIR POCKET OR PURSE. REST ASSURED THAT A PERCENTAGE OF THAT MONEY WILL END UP IN THE HANDS OF THE LEADERSHIP OF TRADITIONAL ORGANIZED CRIME.

<u>FUNCTIONAL ORGANIZED CRIME</u> IS A TERM THAT WE USE IN RECOGNITION OF A TREND FOR TRADITIONAL ORGANIZED CRIME TO DEEMPHASIZE PREVIOUS AREAS OF CRIMINAL ENDEAVOR FOR LESS RISKY AND MORE LUCRATIVE FIELDS. THE VOID HAS NOT BEEN LEFT UNFILLED, HOWEVER, IN THAT GROUPS HAVE FORMED AND MOVED INTO THESE TRADITIONAL AREAS. THESE FUNCTIONAL ORGANIZED CRIME GROUPS ARE SO CLASSIFIED IN ACCORDANCE WITH THE PREVIOUSLY GIVEN DEFINITION AND ARE PROPERLY GROUPED UNDER THE BROAD DEFINITION OF ORGANIZED CRIME DUE TO THEIR FUNCTION.

THEY ARE FOUND IN AREAS OF NARCOTICS, ORGANIZED VICE, EXTORTION, BURGLARIES, ROBBERIES, AUTO THEFT AND FINANCIAL CRIMES.

THEY HAVE ADOPTED THE TACTICS AND METHODS OF OPERATIONS OF THE TRADITIONAL GROUPS, HOWEVER, AND HAVE MOVED INTO LUCRATIVE AREAS OF CRIMINAL ENDEAVOR WITH THE SAME SENSE OF ORGANIZATION, DISCIPLINE AND VIOLENCE THAT HAVE MARKED TRADITIONAL ORGANIZED CRIME FOR THE LAST 70 YEARS.

WE ARE FINDING CONTINUING CRIMINAL ENTERPRISES INVOLVING COLLEGE EDUCATED, SUBURBAN RAISED, MIDDLE CLASS CITIZENS. WE ARE ALSO SEEING PREVIOUSLY IDENTIFIED COUNTER-CULTURE GROUPS, (SUCH AS MOTORCYCLE GANGS AND THOSE INVOLVED IN NARCOTIC USAGE IN THE 60'S) DEVELOPING A SENSE OF GREED AND ORGANIZATION THAT IS ASSUMING CERTAIN CRIMINAL ACTIVITIES PREVIOUSLY IDENTIFIED WITH TRADITIONAL ORGANIZED CRIME.

INNER-CITY YOUTH GANGS HAVE MOVED INTO THE AREA OF ORGANIZED CRIMINAL ACTIVITY WITH A VENGEANCE. THEIR PRESENT PROFILE AND ACTIVITIES MIRROR THE VIEW OF TRADITIONAL ORGANIZED CRIMINAL GROUPS OF THE 1920'S. WHEREAS THESE GANGS ENGAGED IN RANDOM VIOLENCE DURING THE 60'S AND 70'S, THE LEADERS ARE NOW IN THEIR 30'S AND HAVE MATRICULATED FROM VARIOUS STATE AND FEDERAL PENITENTIARIES. THEY HAVE LEARNED THEIR TRADE WELL IN THE UNIVERSITIES OF ORGANIZED CRIME AND NOW ARE RESURRECTING AND REORGANIZING THE GANGS OF THE 60'S AND 70'S. THEIR GOALS ARE NO LONGER RANDOM IN NATURE HOWEVER. THEY ARE SEEKING PROFITS. THEY ARE ATTEMPTING TO CONTROL NARCOTICS, GAMBLING, VICE AND ANY AREA OF CRIMINAL ACTIVITY WHICH WILL YIELD FINANCIAL GAIN. THEY HAVE LEFT THE "TURF" OF THEIR YOUTH AND NOW TRAVEL FROM CITY TO CITY AND STATE TO STATE.

THESE TRENDS, OF COURSE, DO NOT REPRESENT AN ABSOLUTE BIFURCATION. MANY TIMES FUNCTIONAL GROUPS JOIN TRADITIONAL GROUPS, COME INTO CONFLICT AND FORCE TRADITIONAL GROUPS OUT, OR DEVELOP NEW WAYS TO MAKE THEIR PROFITS.

THE ONE AREA OF ORGANIZED CRIMINAL ACTIVITY THAT IS STILL LARGELY CONTROLLED EXCLUSIVELY BY TRADITIONAL ORGANIZED CRIME IS THAT OF GAMBLING, WITH ITS SPIN-OFF OF LOAN SHARKING.

GAMBLING, MOST LAW ENFORCEMENT OFFICIALS AGREE, IS THE GREATEST SOURCE OF REVENUE FOR TRADITIONAL ORGANIZED CRIME. IT RANGES FROM LOTTERIES (SUCH AS NUMBERS OR BOLITA) TO BETS ON SPORTING EVENTS AND LARGE DICE GAMES. IN A CITY AS LARGE AS CHICAGO, VERY FEW OF THE GAMBLING OPERATORS ARE INDEPENDENT OF A LARGE ORGANIZATION. ANYONE WHOSE INDEPENDENT OPERATION BECOMES SUCCESSFUL IS LIKELY TO RECEIVE A VISIT FROM AN ORGANIZATION REPRESENTATIVE WHO CONVINCES THE INDEPENDENT, THROUGH FEAR OR A PROMISE OF GREATER PROFIT, TO SHARE HIS REVENUE WITH THE ORGANIZATION.

IN THE CHICAGO AREA THE GAMBLING OPERATION IS CONTROLLED BY TRADITIONAL ORGANIZED CRIME MEMBERS THROUGH ELABORATE HIERARCHIES. THE PROFITS THAT EVENTUALLY ACCRUE TO ORGANIZATION LEADERS MOVE THROUGH CHANNELS SO COMPLEX THAT EVEN PERSONS WHO WORK IN THE BETTING OPERATION DO NOT KNOW THE IDENTITY OF THE PERSON HE CALLS THE DAILY BETS TO. SUCH ANONYMITY ENSURES SECURITY FOR THE ORGANIZATION AND, IN DOING SO, BECOMES A LUCRATIVE TOOL USED TO RECRUIT MEMBERS.

LOAN SHARKING, WHICH IS THE LENDING OF MONEY THROUGH UNOFFICIAL CHANNELS, AT HIGHER THAN THE PRESCRIBED LIMIT ON INTEREST, IS COMMONLY IDENTIFIED AS THE SECOND LARGEST SOURCE OF REVENUE FOR TRADITIONAL ORGANIZED CRIME. GAMBLERS BORROW TO PAY GAMBLING LOSSES; SMALL BUSINESSMEN BORROW FROM LOAN SHARKS WHEN LEGITIMATE AVENUES ARE CLOSED. SOME PEOPLE WHO TAKE BETS SERVE AS LOAN SHARKS AT TIMES, ENABLING PEOPLE TO PAY OFF GAMBLING DEBTS. INTEREST RATES VARY, BUT IT IS SAFE TO SAY THAT THEY ARE CONSIDERABLY HIGHER THAN CONVENTIONAL CREDIT METHODS.

NO RELIABLE ESTIMATES EXIST OF THE GROSS REVENUE FROM ORGANIZED LOAN SHARKING, BUT PROFIT MARGINS ARE EVEN HIGHER THAN FOR GAMBLING OPERATIONS. "JUICE" LOANS AND VIOLENCE ARE SYNONYMOUS. UPON FALLING BEHIND IN PAYMENTS, THERE IS NO COLLATERAL TO FORECLOSE ON FROM THE DEBTOR. COERCION AND INTIMIDATION METHODS ARE GENERALLY APPLIED BY A COLLECTOR WHO IS MOTIVATED TO OBTAIN PAYMENT FOR HIS SUPERIOR AT ANY COST. IN SUCH MATTERS THE END RESULT IS EITHER PHYSICAL PUNISHMENT, WITH THE ORIGINAL AMOUNT OF THE LOAN OUTSTANDING, OR DEATH.

CHOP SHOPS AND ORGANIZED LUXURY CAR THEFTS REPRESENT A NEW TREND, WHERE TRADITIONAL ORGANIZED CRIME HAS EXTENDED ITSELF IN SEARCH OF PROFITS. THEY HAVE EITHER TAKEN OVER FUNCTIONAL ORGANIZED GROUPS IN THIS FIELD OR BEGUN NEW ENTERPRISES CAPITALIZING ON THE ENORMOUS PROFITS THIS CRIME GENERATES. THEY HAVE ALSO REACHED INTO A PREVIOUSLY LEGITIMATE AREA OF BUSINESS AND CORRUPTED LARGE SEGMENTS OF IT,

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FORCING ELEMENTS OF THE CAR PARTS BUSINESS INTO THE ILLICIT TRAFFICKING IN STOLEN MERCHANDISE. EVERY LICENSED NEW CAR, USED CAR AND AUTO PARTS OR WRECKING YARD LICENSED BY THE STATE IS A POTENTIAL TARGET AND CONDUIT FOR ORGANIZED CRIME ACTIVITIES. THESE BUSINESSMEN ARE ALLOWED TO REPAIR AND REBUILD AUTOS, BUT MUST COOPERATE WITH THE ORGANIZATION. IF THEY WERE INVOLVED IN ILLEGAL ACTIVITIES BEFORE, THEY MUST NOW PAY A "STREET TAX" TO THE ORGANIZATION.

ORGANIZED CRIME DOMINATES LOCAL AUTO THEFT AND REMAINS IN A BATTLE TO MAINTAIN CONTROL OF THIS LUCRATIVE ILLEGAL ENTERPRISE. DURING THE PERIOD OF 1969 THROUGH 1981, AT LEAST TWENTY (20) GANGLAND SLAYINGS WERE ATTRIBUTED TO CHOP SHOP OPERATIONS IN COOK AND SURROUNDING COUNTIES. THIS REPRESENTS THE MAJORITY OF THE VIOLENT SIDE OF TRADITIONAL ORGANIZED CRIME SEEN IN RECENT YEARS IN THIS AREA, AND IS THE RESULT OF THE GROWING PAINS OF THE NEW CRIMINAL INDUSTRY, ALONG WITH THE CONFLICT OF TRADITIONAL AND FUNCTIONAL GROUPS.

RECENT INVESTIGATIONS REVEAL THAT AUTOMOBILES AND PARTS STOLEN IN THE CITY OF CHICAGO HAVE BEEN RESOLD IN MANY MIDWESTERN STATES AND AS FAR AWAY AS NEW YORK AND TEXAS. IT IS ESTIMATED THAT CHOP SHOPS COST THE AMERICAN CONSUMER MORE THAN FOUR BILLION DOLLARS ANNUALLY. INSURANCE COMPANIES HAVE BEEN FORCED TO PAY MORE THAN THREE BILLION DOLLARS ANNUALLY IN CLAIMS, AND THESE COSTS ARE PASSED DIRECTLY ON TO THE CONSUMER. A CHICAGO RESIDENT PAYS MORE THAN FOUR TIMES THE NATIONAL AVERAGE FOR AUTOMOBILE INSURANCE AND THESE HIGH COSTS ARE DIRECTLY ATTRIBUTABLE TO ITS HIGH THEFT RATE.

VICE HAS BEEN A TRADITIONAL MAINSTAY OF ORGANIZED CRIME. PROSTITUTION HAS BEEN SUPPLEMENTED BY MOVEMENTS, WITHIN THE LAST 10 YEARS, INTO AREAS OF MASSAGE PARLORS AND PORNOGRAPHY. WHEREVER YOU FIND PROFITS YOU WILL FIND ORGANIZED CRIME. AS THESE GROUPS BEGAN TO MAKE LARGE PROFITS IN THE DISTRIBUTION OF PORNOGRAPHY THEY LOOKED FURTHER UP THE SYSTEM AND NOW ARE INVOLVED IN THIS INDUSTRY FROM DISTRIBUTION NETWORKS TO PRODUCTION.

NARCOTIC TRAFFICKING PRESENTS AN INTERESTING PICTURE IN THE CHICAGO AREA, IN THAT TRADITIONAL AND FUNCTIONAL ORGANIZED GROUPS SEEM TO HAVE STAKED OUT THEIR DESIRED ELEMENTS OF THE TRADE.

HISTORICALLY, IN CHICAGO, PARTICIPATION IN ANY FORM OF NARCOTIC ACTIVITY WAS VIEWED BY MEMBERS OF TRADITIONAL ORGANIZED CRIME WITH GREAT DISDAIN. FURTHER, ACTUAL USAGE BY ANY AND ALL OF ITS MEMBERS WAS FORBIDDEN UNDER ANY AND ALL CIRCUMSTANCES. RECENT EVIDENCE, HOWEVER, INDICATES A DRAMATIC INFLUX OF THOSE INVOLVED IN TRADITIONAL ORGANIZED CRIME GROUPS IN THE FINANCING OF MARIJUANA AND COCAINE IMPORTATION AND DISTRIBUTION NETWORKS IN THE CHICAGOLAND AREA. WE HAVE NOT, HOWEVER, SEEN THEIR PRESENCE IN THE AREAS OF HEROIN OR HALLUCINOGENS DISTRIBUTION.

THESE SEEM TO BE THE AREAS MANAGED BY VARIOUS FUNCTIONAL GROUPS. THE FORMER STREET GANGS CONTROL LARGE MARKETS IN THE AREA OF PILLS, (T'S AND BLUES) AND HEROIN. MANY

INDEPENDENT ORGANIZATIONS FUNNEL HEROIN INTO THE CITY. MOTORCYCLE GANGS HAVE BECOME A MAJOR FORCE IN THE PRODUCTION OF HALLUCINOGENS, I.E. MDA, LSD AND PCP. MANY TIMES THESE ARE PRODUCED IN LABS OUTSIDE THE CHICAGO AREA AND BROUGHT INTO THE CITY FOR DISTRIBUTION. WE HAVE ALSO NOTED AN INCREASE IN THE NUMBER OF LABS, CREATED FOR THE PRODUCTION OF THESE SUBSTANCES, IN THE CHICAGO AREA IN THE LAST YEAR.

AN END RESULT AND SPIN-OFF OF THESE CRIMINAL ACTIVITIES IS AN EXCESS OF LARGE QUANTITIES OF MONEY. THIS, IN TURN, RESULTS IN ORGANIZED CRIMINAL ELEMENTS MOVING INTO, AND CAUSING THE DETERIORATION OF, TWO OF THE MAINSTAYS OF OUR SOCIETY - THE INSTITUTIONS OF GOVERNMENT AND LEGITIMATE AREAS OF COMMERCE AND INDUSTRY.

OFFICIAL CORRUPTION IS NECESSARY FOR ORGANIZED CRIME TO FLOURISH. THIS IS A REASONABLE AND SIMPLE TRUTH. AS SUCH, IT MUST BE CONFRONTED. THE POTENTIAL HARM OF CORRUPTION IS GREATER TODAY IF ONLY BECAUSE THE SCOPE OF GOVERNMENT ACTIVITY IS GREATER. IN DIFFERENT PLACES AT DIFFERENT TIMES, ORGANIZED CRIME HAS CORRUPTED POLICE OFFICIALS, PROSECUTORS, LEGISLATORS, JUDGES, REGULATORY AGENCY OFFICIALS, COUNCILMEN AND OTHER PUBLIC OFFICIALS, WHOSE LEGITIMATE EXERCISE OF DUTIES WOULD BLOCK ORGANIZED CRIME AND WHOSE ILLEGAL EXERCISE OF DUTIES WOULD ENHANCE IT. IT IS IMPOSSIBLE TO DETERMINE HOW EXTENSIVE THE CORRUPTION OF PUBLIC OFFICIALS BY ORGANIZED CRIME HAS BEEN, BUT

IT IS CERTAIN THAT WE MUST REMAIN COGNIZANT OF THE POTENTIAL FOR CORRUPTION, AND IN DOING SO WE WILL POSSIBLY NEUTRALIZE THEIR EFFORTS.

INFILTRATION OF LEGITIMATE BUSINESS IS A STANDARD M.O. OF ORGANIZED CRIME. A LEGITIMATE BUSINESS ENABLES THE ORGANIZED CRIME EXECUTIVE TO ACQUIRE RESPECTABILITY IN THE COMMUNITY AND TO ESTABLISH A LEGAL SOURCE OF FUNDS AND PAY TAXES TO AVOID SUSPICION OF TAX EVASION. ORGANIZED CRIME INVESTS ITS ILLEGAL PROFITS INTO ALMOST EVERY IMAGINABLE BUSINESS, AND THEREFORE, IT IS DIFFICULT TO DETERMINE ALL TYPES OF BUSINESSES ORGANIZED CRIME MAY HAVE PENETRATED.

CONTROL OF BUSINESS CONCERNS HAS USUALLY BEEN ACQUIRED THROUGH ONE OF FOUR METHODS: (1) INVESTING CONCEALED PROFITS ACQUIRED FROM GAMBLING AND OTHER ILLEGAL ACTIVITIES; (2) ACCEPTING BUSINESS INTERESTS IN PAYMENT OF THE OWNER'S GAMBLING DEBTS; (3) FORECLOSING ON USURIOUS LOANS; AND (4) USING VARIOUS FORMS OF EXTORTION.

ONCE BUSINESSES ARE CONTROLLED THEY ARE USED AS FOLLOWS: (1) TO CONCEAL PROFITS FROM OTHER ILLEGAL ACTIVITIES, I.E., GAMBLING (2) THE USE OF ESTABLISHED BUSINESS CREDIT LINES TO PLACE EXTENSIVE ORDERS, AND THE IMMEDIATE SALE OF THE MERCHANDISE WITHOUT PAYMENTS BEING MADE, RESULTING IN BANKRUPTCY; (3) THE REMORTGAGING AND REINSURING OF BUSINESS ESTABLISHMENTS BEYOND THE APPRAISED VALUE AND REPEATING ITEM #2 WITH THE SUBSEQUENT ARSON OF THE PREMISES. THIS PROVIDES CASH FROM THE REMORTGAGE,

PROFIT FROM THE MERCHANDISE SOLD AND LEAVES THE INSURANCE COMPANY AND THE MORTGAGE HOLDER WITH THE SUBSEQUENT LEGAL CONFRONTATION; AND (4) THE OPERATION OF THE BUSINESS, BELOW COST, THROUGH ILLEGAL METHODS SUCH AS TAX EVASION AND THE USE OF FORCE AND INTIMIDATION TO FORCE COMPETITORS OUT OF BUSINESS THUS CREATING A MONOPOLY FOR THEMSELVES. ANY MONIES LOST IN THE INITIAL STAGES OF THIS OPERATION ARE MORE THAN COMPENSATED FOR ONCE THE MONOPOLY IS ESTABLISHED.

IF A LARGE, METROPOLITAN POLICE DEPARTMENT RECOGNIZES THESE TRENDS AND NEW THRUSTS, WHAT ACTIONS SHOULD BE TAKEN TO COMBAT THE PROBLEMS OF ORGANIZED CRIMINAL ACTIVITY? FIRST, THE AFOREMENTIONED TWO TRAITS OF TRADITIONAL ORGANIZED CRIME MUST BE RECOGNIZED AND, IN FACT, ADOPTED. POLICE AGENCIES MUST:

1. MATCH THE INCREASED SOPHISTICATION OF TRADITIONAL ORGANIZED CRIME BY DEVELOPING EXPERTISE WITHIN THE POLICE DEPARTMENT AND TAPPING BUSINESS, COMMUNITY AND TECHNICAL RESOURCES.

2. BE CONSTANTLY ATTENTIVE TO RECOGNIZING NEW AREAS THAT TRADITIONAL ORGANIZED CRIME HAS TARGETED AS LUCRATIVE AND EXPLOITABLE.

ALSO, IF THE THRUST OF OTHER CRIMINAL ACTIVITIES WITHIN A JURISDICTION ARE PERCEIVED AS ASSUMING, THE ORGANIZATIONAL SOPHISTICATIONS OF FUNCTIONAL ORGANIZED CRIME, THE POLICING AGENCY

MUST BE ABLE TO READILY ADAPT AND BRING THE SKILLS AND PROCEDURES ESTABLISHED TO COMBAT CONSPIRATORIAL CRIME TO BEAR ON THESE NEW GROUPS.

Of paramount importance, however, is the basic organizational and management structure of a police department attempting to fight organized crime. To simply have a number of units functioning within a department, specializing on various aspects of both traditional and functional organized crime, is inefficient and, ultimately ineffective. This is a traditional piece-meal approach which, though winning individual battles, will not win the war. To put it as simply as possible: Police agencies must out-organize Organized Crime.

The Chicago Police Department, recognizing these new thrusts, reorganized on April 15, 1980. As in many department, our efforts in dealing with the various elements of organized criminal endeavor were spread among various units and divisions. In recognition of the developing sophistication of the many functional organized criminal conspiracies within our city, a new Organized Crime Division was formed. The operation elements of the department engaged in fighting criminal groups and activities which would fit into the broad definition of organized crime were brought together into one organizational entity commanded by a Chief. This new division was then appropriately divided into sections, units and squads. The resulting organizational framework reflects the initial basis for the formulation of the division, that is: specialization to impart maximum impact against organized crime, while maintaining central

ADMINISTRATIVE CONTROL TO AVOID DUPLICATION OF EFFORTS AND ENSURE A UNIFORMED AND COORDINATED OPERATION.

BESIDES THE GROUPING OF VARIOUS UNITS WITHIN THE SAME DIVISION, AN ADMINISTRATIVE GROUP HAS BEEN CREATED TO ENHANCE THE MANAGEMENT AND COORDINATION CAPABILITIES OF THE CHIEF OF THE ORGANIZED CRIME DIVISION.

WITHIN THIS GROUP A NEW COMPUTER SYSTEM HAS BEEN DESIGNED AND ESTABLISHED. BECAUSE ORGANIZED CRIME IS CONSPIRATORIAL AND COVERT IN NATURE, THE INVESTIGATIVE PROCESS BECOMES TEDIOUS AND EVER EXPANDING. INTER-RELATIONSHIPS OF PERSONS INVOLVED IN THESE CONSPIRACIES ARE COMPLEX AND DESIGNED TO CONFUSE THE ISSUE AND INSULATE THOSE INVOLVED. EACH INVESTIGATION EXPLODES WITH HUNDREDS OF INFORMATIONAL TANGENTS IRRELEVANT OF THE CASE AT HAND BUT NONETHELESS VALUABLE. THIS INFORMATION HAS OFTEN BEEN IRRETRIEVABLE TO THOSE CONDUCTING FUTURE INVESTIGATIONS, OR PARALLEL INVESTIGATIONS UNBEKNOWNST TO THE OTHER INVESTIGATIVE EFFORT.

IT IS HOPED THAT BY THE REVIEW, ANALYSIS AND COMPUTERIZATION OF THE DAILY EFFORTS OF THOSE WORKING WITHIN THE ORGANIZED CRIME DIVISION GREATER IMPACT CAN BE ACHIEVED.

AS STATED, THE PROPER ORGANIZATION OF A POLICE AGENCY'S EFFORTS MUST BE THE PREMISE FOR EFFECTIVELY COMBATTING ORGANIZED CRIMINAL ENTERPRISES. UPON THIS WE MUST BUILD THE PROPER SPECIALIZATION, SOPHISTICATION AND FLEXIBILITY NECESSARY TO IDENTIFY AND MEET THE NEW THRUSTS OF ORGANIZED CRIME.

SURROUNDING THESE ENDEAVORS MUST BE A CONSTANT COMMITMENT TO COOPERATION WITH OTHER POLICING AGENCIES CONCERNED WITH COMBATTING ORGANIZED CRIME. AS NOTED EARLIER, MODERN ORGANIZED CRIME, WHETHER TRADITIONAL OR FUNCTIONAL IN NATURE, TRANSCENDS CITY, STATE AND EVEN NATIONAL BOUNDARIES. A CONSTANT SENSE OF COOPERATION MUST PERVADE AN AGENCY'S EFFORTS IN COMBATTING ORGANIZED CRIME FROM THE GRASSROOTS OPERATIONAL LEVEL TO THE COMMITMENT OF TOP MANAGEMENT OFFICIALS.

THE NEW ORGANIZATIONAL APPROACH, IN CONJUNCTION WITH INCREASED MANPOWER AND A WORKING POLICY OF COOPERATION HAS SHOWN ENCOURAGING RESULTS IN THE LAST FEW YEARS.

PRIOR TO 1980 THERE WERE 73 MASSAGE PARLORS OPERATING IN THE CITY OF CHICAGO. IN FEBRUARY OF 1982, THROUGH VIGOROUS ENFORCEMENT AND TARGETING, THE LAST SUCH ESTABLISHMENT WAS CLOSED OR FORCED TO LEAVE THE CITY. THERE ARE NOW NO SUCH ESTABLISHMENTS FUNCTIONING IN THE CITY OF CHICAGO.

THE PROBLEM WITH MESSENGER SERVICE BETTING SERVICES OPENING ACROSS THE CITY HAS ALSO BEEN RESOLVED, WITH THE HELP OF THE ILLINOIS GENERAL ASSEMBLY. IN AUGUST OF 1982, AN AMENDMENT WAS PASSED ELIMINATING SUCH ESTABLISHMENTS. GAMBLING OPERATIONS, REPRESENTING MAJOR TRADITIONAL ORGANIZED CRIME GROUPS HAVE BEEN TARGETED OVER THE LAST TWO YEARS, RATHER THAN PIECEMEAL ENFORCEMENT. THESE ACTIONS ARE CREATING PRESSURES WITHIN THESE GROUPS AND HOPEFULLY WILL DRASTICALLY CURTAIL THEIR REVENUES.

We have also targeted organized prostitution and pornography in such a manner that impact is aimed at the organized criminal group which derive their profits from such endeavors. A recent article on the business of vice across the country appeared in the Chicago Sun-Times, entitled "Sex for Sale." This article, written by Rick Kogan, identified the City of Chicago as the cleanest big city in the country.

A joint task force of Chicago Police Officers and Special Agents of the FBI was formed in June of 1980 in an effort to combat the Chop Shop problem. This group has already shown substantial results, and their current efforts will show further inroads into these operations.

The cooperative efforts between the Chicago Police Department Organized Crime Division and Federal agencies in the area of narcotic law enforcement has become a model for the rest of the country.

Working with the DEA, U.S. Customs, Internal Revenue Service and the Federal Attorney's Office, a multitude of major investigations have been concluded and are presently underway. Many of these have been brought under the Continuing Criminal Enterprise title and have eliminated entire organizations. This massive effort has produced results beyond our original expectations and has resulted in a doubling of our commitment of resources to the Narcotics Section in the City's 1983 Budget.

When considering impediments to an effective fight against organized crime, one tends to create a list of extreme length. The fight involves all elements of the Criminal Justice System and our society as a whole. In an attempt to categorize and forge the problems into general areas of concern, however, I find three main areas which have traditionally blocked our efforts to develop programs of greater impact. Some elements are of national concern, while others are problems exclusive to local jurisdictions.

The first area is based on the types of crimes associated with these groups. The majority of organized crime's activities are what are commonly known as "victimless" crimes. The Chicago Police Department rejects this common description of crimes such as loan sharking, labor racketeering, gambling, prostitution and narcotic trafficking as "victimless." This is a serious misnomer. They are, in fact, "complainantless," in that a citizen is not readily available to notify the police that a crime has been committed. Morgues across this nation are filled with murdered people, suicides and overdose victims - all a result of these alleged "victimless" crimes. The citizens are victims many times without being aware of it. When burglaries are committed, embezzlements uncovered and insurance premiums paid, we are all victims. The myth of "victimless" crime, however, persists among many of our citizens.

An excellent example is the issue of gambling. A citizen can buy a lottery ticket sponsored by the government, go to a State sanctioned race track and place wagers, or attend

A LOCAL BINGO NIGHT LEGALLY. IF HE BETS WITH THE LOCAL BOOKIE (WHO IS POSSIBLY HIS LIFE-LONG FRIEND), HE HAS COMMITTED A CRIME. IT IS DIFFICULT TO MOTIVATE THE CITIZEN TO SUPPORT ANTI-GAMBLING LAWS AND EFFORTS UNDER THESE CIRCUMSTANCES.

WE KNOW THE NECESSITY OF ENFORCEMENT OF THESE LAWS. WE ALSO KNOW THE RESULTANT CORRUPTION AND MISERY THAT THIS CASH FLOW CAUSES TO OUR CITIZENS AND THE FABRIC OF OUR SOCIETY AND INSTITUTIONS. HOWEVER, THE CITIZEN RARELY GETS UPSET OR MOUNTS DRIVES AGAINST THE THREAT OF GAMBLING IN HIS COMMUNITY. IT IS HERE THAT WE FIND THE STRENGTH OF ORGANIZED CRIME. ONLY WHEN THE CRIMINAL ELEMENT FINDS IT NECESSARY TO RESORT TO PUBLIC VIOLENCE, DO WE FIND CITIZEN UNREST AND DEMANDS FOR ACTION.

I AM NOT STATING THAT IT IS EXCLUSIVELY THE CITIZEN'S FAULT. HOWEVER, THESE SAME CITIZENS PAY FOR THEIR GOVERNMENT THROUGH THEIR TAXES. THEIR REPRESENTATIVES AND ELECTED OFFICIALS REFLECT THE CONCERNS OF THE POPULATION, AS THEY SHOULD. THIS IS THE SAME CITIZENRY THAT LIVES IN A SOCIETY THAT IS JUSTIFIED IN DEMANDING BETTER SERVICE IN COMBATTING STREET CRIMES WHICH THREATEN THEIR HOMES AND SAFETY. THE CONCERN OF THE AVERAGE CITIZEN FOR THE PERCEIVED "VICTIMLESS" CRIME IS NOT A MAJOR ISSUE OF THE DAY. THEIR CONCERN IS FOUND IN THE VISIBLE RESULTS OF ORGANIZED CRIME, WHEN THE RELATIVELY RARE VIOLENT ERUPTION IS BROUGHT TO LIGHT. THESE ARE ONLY THE TIPS OF THE ICEBERG. THIS MENTAL SET OF THE POPULATION IS OF MAJOR IMPORT WHEN WE CONSIDER THE SECOND AREA OF IMPEDIMENTS.

LOCAL JURISDICTIONS WORK SOLELY WITHIN A BUDGET THAT IS BASED ON EXACT AND CALCULABLE RESOURCES. THESE RESOURCES ARE ULTIMATELY SUPPLIED BY THE TAX PAYERS WITHIN THEIR JURISDICTIONS. WITH THE MAJOR PROBLEMS AND EXPENSES FACING LOCAL JURISDICTIONS IN THIS DAY AND AGE, THESE RESOURCES DO NOT GO FAR.

EVEN IF THE PUBLIC REALIZED THE GREAT IMPACT ORGANIZED CRIME HAS ON THEIR LIVES AND COMMUNITIES, THEREBY DEMANDING THE EXPENDITURE OF ITS LIMITED AND PRECIOUS RESOURCES IN COMBATTING IT, WHAT CAN A LOCAL LAW ENFORCEMENT AGENCY DO ON ITS OWN? AN EXCELLENT EXAMPLE IS THE SUCCESS CHICAGO HAS HAD IN ELIMINATING MASSAGE PARLORS FROM WITHIN ITS BORDERS. DOES THIS MEAN THAT ORGANIZED CRIME HAS CEASED TO DERIVE INCOME FROM THIS ENTERPRISE? NO. THEY ARE NOW ESTABLISHED IN OTHER JURISDICTIONS IN THE GENERAL CHICAGOLAND AREA. WE HAVE HAD IMPACT WITHIN THE CITY, AND WE HAVE UNDOUBTEDLY REDUCED THEIR INCOME BY SHRINKING THEIR MARKET. THEY ARE NOT, HOWEVER, OUT OF BUSINESS.

FINALLY, A MAJOR IMPEDIMENT TO FIGHTING ORGANIZED CRIME IN ILLINOIS AND MANY OTHER JURISDICTIONS ACROSS THE COUNTRY, ARE LAWS WHICH DENY AUTHORITIES THE CAPABILITY TO UTILIZE ELECTRONIC EAVESDROPPING. I AM NOT SPEAKING OF RESTRICTIONS ON EAVESDROPPING. I AM CONCERNED WITH THE TOTAL DENIAL OF THIS CAPABILITY, NO MATTER HOW JUSTIFIED, AND NO MATTER WHAT SAFEGUARDS OR REVIEW PROCEDURES ARE USED.

ORGANIZED CRIME IS CONSPIRATORIAL IN NATURE, WITHOUT WITNESSES AND READILY AVAILABLE VICTIMS. NON-CONSENSUAL

EAVESDROPPING HAS TO BE THE MOST EFFECTIVE TOOL DENIED TO LOCAL LAW ENFORCEMENT IN COMBATTING ORGANIZED CRIME. PRESENT ILLINOIS LAW DEMANDS THE CONSENT OF ONE PARTY TO A CONVERSATION, IN ORDER TO IMPLEMENT EAVESDROPPING PROCEDURES. THIS, OBVIOUSLY, IS NOT POSSIBLE IN THE MAJORITY OF CASES WHERE THE TOOL COULD BE USED AGAINST ORGANIZED CRIMINAL GROUPS. WE DO NOT RECOMMEND OUTRIGHT REPEAL OF EAVESDROPPING LAWS. ALL WE NEED IS WELL REVIEWED AND DOCUMENTED EXCEPTIONS TO THE PROHIBITION. WE ARE IN WHOLEHEARTED CONCURRENCE WITH STANDARD 7.5 OF THE "REPORT OF THE TASK FORCE ON ORGANIZED CRIME" OF THE NATIONAL ADVISORY COMMITTEE ON CRIMINAL JUSTICE STANDARDS AND GOALS, WHICH WAS PUBLISHED IN 1976 AND STATES:

> "EVERY STATE SHOULD HAVE A WIRETAP AND MICROPHONIC SURVEILLANCE STATUTE PERMITTING THE USE OF NON-CONSENSUAL PROCEDURES IN CASES INVOLVING ORGANIZED CRIME AND RELATED CORRUPTION. STATES SHOULD ALSO PROVIDE FOR VIGOROUS ENFORCEMENT OF LAWS AGAINST THE ILLEGAL USE OF WIRETAP AND MICROPHONIC SURVEILLANCE."

THESE ARE THE BASIC IMPEDIMENTS, AS WE SEE THEM, TO A MORE EFFECTIVE PROGRAM WITHIN OUR JURISDICTION. AS A SUBCOMMITTEE OF THE UNITED STATES SENATE, YOU ARE SEEKING INPUT AS TO WHAT CAN BE DONE TO COMBAT ORGANIZED CRIME. BASICALLY, I WOULD HAVE TO ANSWER SUCH A QUESTION BY URGING YOU TO GIVE ATTENTION TO TWO AREAS, WHERE THE FEDERAL GOVERNMENT CAN ACT IMMEDIATELY AND WHICH WOULD SHOW IMMEDIATE RESULTS. THEY ARE:

1. THE FEDERAL AUTHORITIES MUST CONTINUE THE EFFECTIVE STANCE THEY HAVE TAKEN IN COORDINATING AND COOPERATING WITH LOCAL JURISDICTIONS. FROM EDUCATION TO ACTUAL FIELD OPERATION, THE SUPPORT AND ASSISTANCE WITHIN THE LAST FEW YEARS HAS SHOWN EXCELLENT RESULTS, AND HAS SERIOUSLY CRIPPLED MANY ELEMENTS OF ORGANIZED CRIME.

2. THE FEDERAL GOVERNMENT MUST SUPPORT AND FUND LOCAL EFFORTS DIRECTED TOWARDS ORGANIZED CRIME. LOCAL JURISDICTIONS SIMPLY DO NOT HAVE THE RESOURCES TO MOUNT AND MAINTAIN EFFECTIVE CAMPAIGNS. WE HAVE COMMITTED OVER TEN MILLION DOLLARS AND 373 PEOPLE WITHIN THE ORGANIZED CRIME DIVISION ALONE IN 1983. WE WANT TO DO MORE. WE KNOW WHERE WE CAN DO MORE. WITH THE SUPPORT OF FEDERAL RESOURCES, WE WILL DO MORE.

We know what is needed to effectively suppress organized crime. Simply stated, the key elements are:

1. Sufficient resources to direct against the massive resources of organized crime.
2. Effective and efficient management of these resources, not just from a fiduciary point of view, but in all organizational and operational activities.
3. Cooperation and coordination with all jurisdictions joined in the fight, expecially with Federal authorities who are in the best position to impact these groups.
4. Public awareness and support for the fight. They must realize the threat both traditional and functional organized crime pose to their communities.

We have recently made inroads into these key elements. Results have come from these efforts and we know that the organizational and cooperative policies have been on target.

The Chicago Police Department assumes a position of total commitment to the suppression of all forms of organized crime. We shall continue our efforts and improve wherever and whenever possible.

PREPARED STATEMENT OF WILLIAM F. ROEMER, JR.

SPECIAL CONSULTANT ON ORGANIZED CRIME
CHICAGO CRIME COMMISSION

SECTION I

HISTORY OF ORGANIZED CRIME IN Chicago

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This statement was prepared by William F. Roemer, Jr., Special Consultant to the Chicago Crime Commission from a variety of sources including his personal knowledge, public records, and the files of the Chicago Crime Commission. Mr. Roemer was a Special Agent of the FBI, assigned to the Chicago office of the FBI for twenty-three years, the period 1957 to 1978 having been spent on the organized crime squads where he was the senior agent during the most of the 1970's.

The origin of what has become organized crime began in Chicago in the World War I era when Jim Colosimo, in order to eliminate competition for his night spots and houses of prostitution, put together a very loose, poorly disciplined group of thugs and thieves of Italian and Sicilian extraction.

Matters continued in this way until Johnny Torrio, who had joined Colosimo in 1910, and who had made some efforts to organize along the lines of the Sicilian organization known as The Mafia which many of his underlings had membership in, brought in a young New Yorker named Al "Scarface" Capone. Capone had done some "heavy work" for the mob in New York and had a reputation there for being a resourceful, aggressive young gunman with a future.

Torrio had come to the conclusion that Colosimo did not realize the potential of what he had and was an overly cautious leader whose lack of aggressiveness was holding back the opportunity which Torrio and the others had in Chicago. He, therefore, commissioned Capone to execute Colosimo which Capone did with quick dispatch in 1920.

Torrio then succeeded to the leadership of the motley crew left him by Colosimo, and with the aid of Capone, began to do two basic things. First, he began to enforce a tight discipline and secondly,

enlarged the membership. Although the members of the organization who were responsible directly to him were of Italian and Sicilian derivation, he worked very closely with other groups of non-Italians who were working in Chicago. Sometimes the distinctions between who were actually members of the Torrio mob and who were on the fringes were so blurred that it amounted to the same thing.

With the advent of prohibition, Torrio and Capone, with the counsel of their old associates in New York, were made aware of the enormous potential for gain from bootlegging and from the speakeasies which could be set up.

At this point, organized crime in Chicago became big business as it did all over the country. The membership was greatly enlarged and although, strictly speaking, Italian or Sicilian descent was a requirement for a "made" member of the group, many individuals who worked on the fringes of the organization and many who belonged to groups who made agreements with the Torrio group to operate were not of such descent. As a result of this history, many of the people who actually became upper echelon leaders of oganized crime in Chicago have not been Italians or Sicilians, a situation which is almost unique in Chicago.

Things continued along during the early 1920's until Capone got greedy. Mainly for the same reason that Torrio wanted Colosimo out of the way, Capone, seeing even more wealth available, had an attempt made on the life of Torrio. Although not successful in killing Torrio, it caused Torrio to decide he had enough and he turned over the leadership of the mob to Capone as soon as he was able to leave the hospital.

Under Capone the Chicago mob became perhaps the most disciplined and the most wealthy group of organized crime in the country.

At this point, perhaps, it might be well to discuss the alliance Capone and his successors had with groups of organized crime elsewhere. It should be understood up front that there is no type of national organization where a leader, say in New York, can issue an order to the leader of the Chicago group as to how he should run his outfit. However, there is a grouping of the heads of "the families" in the major sections of the country who have formed what in effect is a "board of directors" of organized crime which they call "the commission." Capone, as top boss in Chicago, represented Chicago. The leaders of the five New York City families, the Buffalo family, the New England family, the Pittsburgh and Philadelphia families, the Detroit and the Cleveland families, have traditionally had membership on the commission. Membership has varied from nine to twelve throughout the years and the "commission" continues to be a highly structured, tightly disciplined group to date.

Actually, the primary purpose of the "commission" is to enforce the boundaries of organized crime. It is the current consensus of knowledgeable sources and informants that the Chicago family of organized crime controls all areas west of Chicago as of 1983. This would include the Kansas City, Milwaukee, St Louis, Denver, Los Angeles, San Diego and San Francisco (actually San Jose) areas where organized crime is controlled by established groups inasmuch as these groups are actually subservient to the ultimate authority of the Chicago mob. As a matter of fact, the Chicago family has made a substantial drive in recent years to solidify its hold on the West Coast and the mountain states. Certain areas such as Las Vegas and Miami are "open territories" where families from all over the country are allowed investments. For instance, for years The Stardust in Las Vegas was a

Chicago investment while the Sands was a New York operation.

Returning to the Capone era, the membership of organized crime mushroomed during the prohibition era and almost the entire membership reaped tremendous profit from the various enterprises the mob participated in.

These enterprises included illegal whiskey and beer, the speakeasies in which it was sold, night spots where prostitution flourished, gambling, "juice" (the extortionate lending of money at usurious rates which is known as "loan sharking" and "shylocking" elsewhere) and labor racketeering.

At about the same time the prohibition amendment was repealed, Capone was convicted in Federal Court in Chicago of income tax evasion. This ended his reign, as it turned out, since he was never to return to Chicago.

Taking over for Capone, was his top lieutenant, Frank Nitti. Nitti, known as "The Enforcer," was Capone's muscle man and the obvious choice to succeed him.

However, Nitti encountered an overwhelming problem immediately.

The proceeds from the prohibition related activity had been staggering. But prohibition was over. How could organized crime make up the loss? In fact, there was no way they could. However, Nitti was very fortunate that brought into the organization had been a man named Jake "Greasy Thumb" Guzik. Guzik became, under Nitti, a mastermind who showed the mob how to invest the millions garnered from prohibition and trickling in from gambling. Gambling became the lifeblood of the outfit, but investments in legitimate businesses primarily through front men not only multiplied the profits but gave the mobsters a method by which they could evade the efforts of the government to

do with them what they did with Capone.

Parenthetically, it is of interest to note that Guzik, a Jew, was the forerunner of several non-Italian successors to him. Murray "The Camel" Humphreys succeeded Guzik when Guzik died in the 1950's and promptly enlarged the functions of this faction of organized crime to become "the fixers" who built and maintained contacts with public officials, law enforcement officers, labor leaders, the judiciary and businessmen who could be influenced or controlled to provide favorable treatment to organized crime. As a matter of fact, to show how this non-ethnic feature progressed through the years, when Humphreys, a Welshman, died in November, 1965, his functions were taken over by Gus Alex, a Greek, who in turn, in the mid-1970's, was to become one of the members of the three-man leadership team, the triumverate, in charge of the affairs of organized crime in Chicago in the early 1970's.

Aided by the expertise of Guzik, Nitti rebuilt organized crime in Chicago to the point where, although obviously not producing the income available during the Capone era, it remained a viable, tightly structured organization able to support its members.

In the early 1940's, Nitti, along with several other top leaders of the mob in Chicago, including Paul Ricca, Louis Campagna, Ralph Pierce and others, was indicted for the million dollar extortion of the Hollywood movie industry through the use of labor unions controlled by the Chicago mob along the guidelines set up by Guzik, now assisted materially by Humphreys. Shortly following the indictment, Nitti committed suicide in 1943.

Succeeding Nitti was Ricca, also known as Paul "The Waiter" DeLucia. Ricca, a very capable leader, had his own troubles since he was soon to be convicted in the Hollywood extortion case, but his

leadership was noted for something which is very unusual in organized crime families. Ricca had a son who was a drug addict. He, therefore, observed first hand what drug addiction can do to society. During his reign, he decreed that no member of Chicago organized crime can have anything to do with narcotics traffic. Actually, his decision was not strictly humanitarian, but also allowed for the fact that drug traffic alienated the contacts set up by Guzik - Humphreys - Alex faction. The influence of the mob would wane, according to the Ricca theory, if the heinous crime of narcotics was associated with them. According to his thought, as long as "victim-less" crimes such as gambling were the sole support of the mob, their contacts outside the organization could be maintained.

Ricca continued as the boss even while he spent three years or so in Federal prison after his conviction, with Anthony J. Accardo as his caretaker chieftain. Ricca was paroled in the late 1940's in a scandal which engulfed the Truman administration since he was turned loose long before his sentence expired.

Following Ricca as boss, and as the Chicago representative on "the commission," was Accardo, another in the long line of capable leaders. Accardo, perhaps, has been the most capable leader in the history of the Chicago group. With the aid of the Guzik-Humphreys faction which was able to expand the number of contacts providing favorable treatment to the mob, Accardo had a most successful rule. The membership expanded and income flourished, primarily from the wide open gambling then allowed by the Guzik-Humphreys contacts in Chicago and its environs.

In 1957, Accardo had enough and handed over the reigns to Sam "Mooney" Giancana. Giancana, a tough, swaggering, flamboyant murderer

who had long served Accardo, was a natural for the spot, but it was not long before he, and later his associates, were sorry he found himself where he was at that particular time in the history of Chicago organized crime. Because the Federal Government was about to become directly involved for the first time in the investigation of the day-to-day operations of organized crime in the United States.

The seeds of Giancana's destruction were sown in a set of circumstances set in motion in November, 1957, when scores of the top bosses of organized crime throughout the United States were summoned to a meeting at the home of Joseph Barbara in the small, quiet upstate New York community of Apalachin. The meeting came to the attention of a lone New York State Trooper. The bulk of the attendees scattered wildly through the woods when several troopers investigated but several were gathered in. Giancana had been there, but was one of the successful escapees.

No law enforcement agency in the country had been aware of the proposed meeting and none were able to satisfy the outcry which followed as to how scores of the top leaders of organized crime were able to move so freely around the country without the notice of authorities.

As a direct result of the Apalachin meeting, J. Edgar Hoover initiated what was in 1957 called The Top Hoodlum Program but which is now called The Organized Crime Program. Never before had the FBI been involved in a strict intelligence type investigation of organized crime. Heretofore, the FBI would investigate organized crime members if they became involved in a violation within the jurisdiction of the Bureau, but not until then. Inasmuch as the hierarchy seldom violated Federal statutes defining Federal crimes existing in

1957, very little was known to the FBI or any other agency about the identities, background, associates, activity, personal habits or even some of the residences of even the upper echelon leaders.

This quickly changed in early 1958 when Mr. Hoover ordered the intensification of Top Hoodlum investigations and volumes of information was developed by the FBI.

Up until this time Colosimo, Torrio, Capone, Nitti, Ricca, Accardo, and Giancana and their underlings had more to worry about with internecine combat rather than from law enforcement, or at least Federal law enforcement.

But organized crime soon became aware in the late 1950's that a new force must be reckoned with. In 1961 the Federal Government was given a series of three laws as new weapons to fight with: Interstate Travel in Aid of Racketeering, Interstate Transportation of Wagering Information and Interstate Transportation of Gambling Paraphernalia. The first weapon in particular proved to be a formidable one.

Giancana, an old alley fighter, decided in 1963 that the best defense is a good offense. He took unprecedented action when he brought a civil suit against the SAC and the Chicago Office of the FBI to obtain an injunction prohibiting the "lock step" surveillance of him which the FBI maintained on him in the summer of 1963. He produced movies of FBI Agent Roemer, whom he knew personally from confrontations he had had previously with him. These movies, produced in court, showed Roemer and others following Giancana. When the SAC declined to identify the Agent or to acknowledge Giancana's claim as to his identity, the SAC was found in contempt of court and fined. Restrictions were placed on the surveillances of Giancana by the FBI. For example, the FBI was ordered to allow a foursome between them

and Giancana on the golf course. Although the restrictions were relaxed somewhat by the Appellate Court, Giancana had clearly won a round in the battle.

But the fight was not over. In 1965 Giancana was subpoenaed before the Federal Grand Jury in Chicago and asked scores of questions based on the intensified investigation of him since 1957. Obviously recognizing that he could not truthfully answer these questions without exposing himself and practically all of his associates in organized crime, Giancana refused to accept an offer of immunity and then was sentenced to a year in jail for contempt of the order of the court to testify.

Giancana spent his year in jail and, convinced that he would again be hauled before the Federal Grand Jury with similar results, he fled the United States and toured the world, headquartering in Mexico until he was expelled from there in July, 1974. A lot of water passed over the dam between his departure in 1966 and his return in 1974 which will be discussed hereinafter, but the Giancana saga picked up almost where it left off when Giancana was again subpoenaed before the Federal Grand Jury. This time, however, justice was cheated when Giancana was executed in gangland style in his residence in Oak Park, Illinois, late on the night of June 19, 1975. As will be explained later, his handling, or rather his mishandling of the leadership of the Chicago mob undoubtedly played a big part in his slaying.

To return to the days of the 1960's, however, when Giancana voluntarily exiled himself from the country, his job went to Sam "Teets" Battaglia. Now, Battaglia was a leader in the mold of his predecessors. Strong, aggressive and capable. But he did not last

long. Taking over for Giancana in 1966, he was convicted the same year in Federal court and sentenced to Federal prison where he was to die.

Still stocked with a pool of capable leaders who had the ambition to succeed to the mantle of Capone, the mob simply reached out for the likes of Jackie Cerone. Cerone ruled well and his decisions were immediately obeyed. For three years. Then the Federal government caught up with Cerone. He was convicted with the weapon given the FBI, ITAR, and sent to prison.

Now the organization had a problem. Since the FBI was injected into the fight, every top boss was sent packing off to Federal prison. Now it was found that the intelligent, capable leader was just smart enough to recognize that taking over the top job was hazardous duty. Especially when the experienced leader had been able to put away more than enough money from the long,lucrative years he had toiled in organized crime, he was most reluctant to jeopardize the last decades of his life when the example set by Giancana, Battaglia, and Cerone in the immediate past three years was fresh in his mind.

But there was a man on the scene who campaigned for the job and who was successful. This was Felix "Milwaukee Phil" Alderisio. Alderisio, one of the worst in a long line of Chicago torpedoes, for years had done the "heavy work" for the organization, the torturing, killing, and intimidating necessary for the succesful operation. A man in this position was used to getting what he wanted and since he wanted to be boss and few who were qualified did, Alderisio got it. However, Milwaukee Phil was no Accardo -- and not even a Giancana. For the first time, the membership became aware that policy decisions were being made based on something other than good sense. But it

made little difference. Because the same fate that befell those before him came to Alderisio. In 1970, after about a year in the spotlight, he was convicted of bank fraud and sentenced to Federal prison where he died in 1971.

Now the organization was really in trouble. First, they ran out of brains. Now they ran out of brawn. The intelligent leaders saw no reason to change their minds about accepting the crown and now even the unintelligent leader had gotten the message.

Eventually, after the organization floundered for a while, a solution of sorts was found. Accardo, who had been spending most of his time fishing in Bimini and travelling, was prevailed to agree to spend some time in Chicago where his experience could be available, at least on major policy matters if not on the day-to-day operations. Gus Alex, the heir to the Guzik-Humphreys line, a most intelligent but highly nervous, cautious person with a history of confinement in the renown Silver Hill Sanitarium in New Caaner, Connecticut, for depression, relunctantly agreed to be available to maintain contact with those contacts of Guzik and Humphreys and himself who still remained. However, Alex insisted that he, like Accardo, should be able to spend the bulk of his time out of Chicago, in his case at his condominium in Fort Lauderdale, Florida, where he still spends half his time. But with Accardo and Alex having extracted their agreement to be part time bosses, there was a need for an operations manager, a man with some authority who would be available on a continuous basis. Finally, this spot was given to Joseph "O'Brien" Aiuppa. Aiuppa is an elderly man whose expertise heretofore had been confined to gambling and strip joints in Cicero. It was not expected by law enforcement agents that

Aiuppa had the potential to be an effective leader. However, he appears to have grown in the position and at this point and time, in 1983, some dozen years later, history has been kind to Aiuppa and due to the fact that he has been fortunate enough to have survived those years it can be seen from this viewpoint that he has served his organization creditably.

In 1978, Alex eased himself out of the leadership role and since that time he has confined himself primarily to the role which will be discussed hereinafter, that of the leader of the "corruption squad" of organized crime.

At this time, in 1978, Jackie Cerone, back from prison in 1974 and relatively inactive due to the fact that he realized that he was a "sitting duck" for law enforcement and not desiring to be in prison again was importuned to once again assume a leadership role. In 1978, Cerone assumed the role of "underboss" to Aiuppa with the feeling that as Aiuppa, then in his early 70's and in ill health, would soon step down and give the leadership reign to Cerone.

At the present time Cerone is, for all intents and purposes, the leader of the Chicago family of organized crime. A very strong, aggressive and forceful underboss has been appointed to assist Cerone in the person of Joseph Ferriola, also known as Joe Nagall. Cerone, now 68 years of age and with the history of reluctance to lead, is grooming Nagall for the top job somewhere, apparently, in the mid 1980's.

SECTION II

CURRENT STATUS AND STRUCTURE OF ORGANIZED CRIME IN CHICAGO

The foregoing is not to be taken to say that Tony Accardo and Joseph Aiuppa are no longer active leaders. Both, however, prefer to keep a distance from Chicago and an insulation between themselves and the day-to-day operations. Accardo, who spends niney percent of his time at his Palm Springs area residence on Roadrunner Drive in Indian Wells, California, is still called upon when matters of high policy are to be determined and for this reason he still maintains a Chicago area condo. After all, he was the best leader the Chicago mob has ever had and his experience goes back to the days when he was a muscle man for Capone in the 1920's. He is truly the elder statesman of the mob.

Aiuppa likewise is trying to keep a distance between himself and the daily routine. Although he continues to spend a great deal of his time at his residence in Oak Brook, a southwestern suburb of Chicago, he spends a large amount of his time in Palm Springs and on Bimini. There is a body of opinion among law enforcement in Chicago that Aiuppa continues to be the boss. It is our best information that for all practical purposes Cerone is, but it is clear that Aiuppa still wields a great deal of power and that Cerone clears the more important decisions with him.

Another shadowy figure in a key position of leadership is Gus Alex. Alex is another who has served his organization well and now desires to put some distance between himself and the ordinary problems of his group. Alex still maintains his condominium on Lake Shore Drive in Chicago, but spends most of his time at his other condo on Galt

Ocean Mile in Fort Lauderdale, Florida. There is really no way the mob is going to let Alex simply fade away. His contacts among politicians, public officials, labor leaders and members of the judiciary are simply too valuable to waste.

As mentioned at the conclusion of Section I, Jackie Cerone is for all intents and purposes the most important leader of the Chicago LCN as of the date of this hearing, March 4, 1983. He may or may not be representing Chicago on "the commission." He may or may not be titular leader. But he is what might be called the operational director of the mob in Chicago today. The day-to-day details, the ordinary problems, are decided by Cerone. And when a major problem presents itself, such as what to do with a Dorfman or a Eto, it is Cerone who will present the case with the pros and cons together with a recommendation so that Accardo and Aiuppa can understand the magnitude of the situation and then concur or overrule his recommendation. Knowing, however, that Cerone is the protege of Accardo who has been almost his inseparable companion for decades and knowing that Cerone is a predecessor of Aiuppa since he was the boss prior to Aiuppa as set out in Section of this statement, it would be hard to believe that Cerone would be overruled very often, if at all.

The Chicago capo who has been undoubtedly the most important mid level leader in recent years has been Joe Lombardo. However, as we meet today, Lombardo's star is fading if not faded. For the past several years Lombardo was responsible to the mob for two of the uppermost interests: (1)The control and maintenance of their many and varied interests in Las Vegas and the continued spread of their empire westward from Chicago, and (2) the control and maintenance of their influence with the Teamsters and particularly their Central States Pension Fund.

Lombardo has had nothing but troubles in recent years. In 1979, the Chicago Office of the FBI penetrated the offices of Lombardo's chief contact in relation to the Teamsters, Allen Dorfman. Dorfman for decades had been the liaison between the mob in Chicago and the Teamsters Union. In fact, it was his father, Paul "Red" Dorfman, who had initiated such contacts. The elder Dorfman was a pal of James Riddle Hoffa and when Hoffa became President of the IBT in the late 1950's, it was "Red" Dorfman who brought Murray Humphreys and Gus Alex to Hoffa for what was to become a long time and close relationship between the Teamsters and the mob, not only in Chicago but all over the country. The younger Dorfman had a great influence on Central States Pension loans and as a consequence, many high risk loans were made from the fund to businesses

and associates affiliated with the Chicago crime syndicate. It was the responsibility of Lombardo to control and manage Dorfman and through Dorfman the assets of the Teamsters.

But when the FBI in Chicago penetrated Dorfman in their investigation code named "Pendorf" (penetration of Dorfman) they penetrated a lot more than Dorfman. They penetrated the entire Lombardo echelon of organized crime. For Lombardo was almost a daily visitor to the Dorfman offices where the microphones were planted under "Title III" (court ordered) authority. This exposed both functions of Lombardo to almost complete FBI scrutiny. It resulted in the recent conviction of Lombardo, Dorfman and Roy Williams, President of the IBT. But almost as important, it gave the FBI in Chicago a great wealth of intelligence concerning the machinations of the Chicago La Cosa Nostra in general and the Lombardo faction in particular. This, presumably, will be dealt with in greater deal in the statement being made to this Committee by the FBI.

For many years, the first function of Lombardo, the control of Chicago mob interests in Las Vegas, has been spear-headed for him by Tony Spilotro. Spilotro not only was the overseer of Las Vegas interests but also the continuing spread of the Chicago group westward, to California in particular. Spilotro came up through the ranks of the Chicago gang just like everybody else, through the use of "heavy work:" the arm and the gun. He became the extension of Chicago in Las Vegas and for years served his bosses in a satisfactory fashion. Recently, however, his affairs and his function have come more and more into the glare of the media and he lost some favor with his superiors. Now, in February, 1983, he was arrested by the FBI in

Las Vegas on an Unlawful Flight to Avoid Prosecution warrant, the result primarily of testimony of Frank Cullota, one of his former lieutenants, who has implicated him in two murders in Chicago several years ago. This arrest was assisted by Ray I. Shryock, Chief of the Organized Crime Division of the Cook County State's Attorney, who expedited the process in Chicago leading to the arrest of Spilotro in Las Vegas, a good example of cooperation of local and federal law enforcement officials here.

It, therefore, is obvious that the career of Spilotro, like that of his immediate superior, Lombardo, is in serious jeopardy at this point in time.

Currently working under Spilotro in Las Vegas is his brother, John. John runs the store front which serves as a prime base of his brother. Also working for Spilotro in Las Vegas is Herbert Blitzstein, a familiar figure to Chicago gamblers and "juice victims" from his days when he worked as a bookmaker and juice collector on Rush Street in Chicago. "Juice" is a Chicago colloqualism for loan sharking or shylocking.

Working for Spilotro, and therefore Lombardo, in the southern California area, particularly in San Diego, are three other former Chicago thugs, Chris Petti, Joey Hanson and Paulie Schiro. They are responsible for gaining and keeping the interests of Chicago in southern California. Schiro also has a residence in the Phoenix, Arizona, area and represents Chicago LCN interests there.

Working for Lombardo in Chicago has been his erstwhile bodyguard and driver, James D'Antonio, aka Legs. There is some indication that with Lombardo out of commission and Spilotro as well, D'Antonio is

attempting to carry on some of the functions of these two. However, here is a classic example of where law enforcement has been able to seriously hamper the workings of organized crime and to put a serious crimp in their activity. Because there is virtually no way D'Antonio can be nearly as effective as either Lombardo or Spilotro and certainly not both. This is a very clear instance where the FBI, and to a certain extent, the Cook County State's Attorney's Office, has achieved a very definite and worthwhile accomplishment.

The most active capo in the Chicago LCN as of March, 1983, is undoubtedly Joseph Ferriola, better known to his associates as Joe Nagall. For years Nagall was a top henchman of the notorious Fiore "Fifi" Buccieri and then of James "Turk" Torello, when those two had responsibility under Giancana for the lucrative west side of Chicago and then,after Giancana, had complete responsibility to oversee the prime source of income to the Chicago group, gambling. Nagall is considered to have the most potential to become the successor to Cerone some years down the line.

Nagall's top lieutenant right now is Dominic Cortina. Cortina knows as much about the operation of a handbook as perhaps anyone in the country, certainly in Chicago. His sidekick, a pal since boyhood, Donald Angelini, aka Don Angel, is also a Nagall top kick. Ernest "Rocky" Infelice, like many of his associates, a former burglar and thief but in the case of Infelice one with a much longer history of imprisonment, ranks among the top Nagall cohorts. Louis Marino, Sal Bastone, and Sal DeLaurentis are mid level Nagall lieutenants. Joe Spa, true name Joseph Spadavecchio, has long been a close associate

of Nagall and worked well and long for Buccieri and Torello. However, his recent assignments seem to indicate he is not as highly regarded as in the past. Joseph Grieco, Wayne Bock, John Varelli, Arnold Garris and Americo "Pete" DePietto are also highly regarded Nagall soldiers. Bock is a former pro football player and provides muscle for Nagall and the mob. Garris is a veteran bookmaker who has great expertise in this area. DePietto has a long history of confinement for such crimes as burglary and robbery.

Though not as productive for the Chicago LCN as fellow capos Lombardo and Nagall, the prime money makers, another experienced Chicago boss is Vincent Solano, President of a local of the Laborers Union in Chicago. It was a surprise when Solano succeeded Dominick DeBella as the capo in charge of the north side of Chicago in the late 1970's. Many had expected that Joseph "Caesar" DiVarco, the cocky little boss of Rush Street, Chicago's nightclub district, would succeed to the mantle of DiBella. However, at the time, DiVarco was under prosecution and it is felt that this was the prevailing factor in Solano's selection. Solano, for years,had been the chauffeur and bodyguard of Ross Prio when that capo had ruled the north side. Prio was the north side capo from the 1950's into the 1970's. DiVarco, while serving under Solano, also has capo status, something which is very unusual, an indication the mob puts a high emphasis on its interests on Rush Street.

Working right under Solano and DiVarco is "Big Joe" Arnold, a long time companion of DiVarco. His interests are centered on Rush Street. Working with them under Solano, until about 8:30 P.M. on February 10, 1983, was Ken Eto, who ran the bolita gambling for the

mob, a venture estimated from his records to garner some $20,000,000 annually for the Chicago LCN.

However, on February 10, 1983, Eto was shot three times in the head at contact range by two Solano-DiVarco soldiers: Jasper Campise and Frank Gattuso. Surprisingly, Eto survived this attack and is currently cooperating with the Chicago FBI. He has implicated at least DiVarco and Arnold along with Campise and Gattuso in the conspiracy to kill him and, if fully cooperative, his revelations would be catastrophic to the mob.

Mike Glitta is the "street boss" of Rush Street under the aegis of DiVarco.

Working under Solano in the Rogers Park area of the north side, an area where gambling flourishes, are Lenny Patrick and Len Yaras. However, it is believed that Patrick is relatively inactive at this time. For years from the 1940's until the mid 1970's, Patrick was a valuable upper echelon gambling boss. At first his domain was Lawndale, a predominately Jewish community on the west side of Chicago. But as that neighborhood changed and much of his clientele moved to the Rogers Park area, Patrick moved with them. After his imprisonment in the early 1970's, however, Patrick seemingly has not regained his lofty position and, although seen from time to time in activity which indicates that he still has some mob capacity, it appears that Patrick is not a force to be concerned about. His spot has been taken, ironically enough, by Yaras. Yaras is the son of Patrick's long time partner, Davey Yaras

who moved to Florida when Lawndale diminished as a source of revenue to his faction. Patrick and Yaras were so close for so many years that it is almost as if Patrick was succeeded by his own son.

Proceeding down the line of important capos we get to Al Tocco. Tocco is the successor to the most productive Frank LaPorte and then of the lesser capable Al Pilotto as the capos in charge of southern Cook County, an area headquartered in Chicago Heights and including Will County, with Joliet as the county seat. Whereas LaPorte, in particular, was a highly valued capo in the Chicago scheme of things, Tocco has not yet made his bones in this area. The best information indicates that since there has to be a boss in southern Cook County, Tocco is the best of what is available, a rather poor lot. When United States Attorney for the Northern District of Illinois, Dan Webb, characterizes the Chicago mob as a bunch of "street punks," he would place Tocco at the head of the bunch, along with LaPietra, a capo discussed hereinafter.

As would be expected after the description of Tocco, his crew is a motley one. Joe Barrett, Tony Berretoni and Chris Messino are his top lieutenants and they are a poor group compared, for instance, to Nagall's crew.

The remaining capo is Angelo LaPietra who controls the south side of Chicago. However, the south side of Chicago is a relatively unproductive area for the Chicago LCN and for this reason, although at least as capable as Tocco, LaPietra's seat at the table of capos is the last one.

LaPietra succeeds Ralph Pierce who died in July, 1975. Pierce

was a Murray Humphreys protege and, when the south side was productive, he had a key role in organized crime in Chicago. However, when Pierce died of a heart attack, the prime source of income on the south side, as on any side, was gambling and this was given to Nagall. LaPietra has some interest in a relatively new income producer, chop shops, but he shares this with Tocco. The term chop shop refers to the chopping up of stolen autos and the resale of the parts. This racket, taken over by the syndicate only some dozen years or so ago, has become productive although it has never begun to rival such traditional income producers as gambling or "juice."

Working under LaPietra are Frank Calabrese, John Monteleone, John Fecarotta, his brother Jimmy LaPietra and Frank "Skid" Caruso. Caruso for decades has run the gambling activity in the predominately Italian neighborhood on the near south side, in the area which is known as The Patch. Also soldiering for LaPietra are such familiar names as Charles "Specs" DiCaro, Nick Montos, Vince Inserro and Angelo Imparato. DiCaro is virtually retired. Joe Lamantia is another active LaPietra soldier.

There are others whose responsibilities are not clearly defined, at least in the mind of this consultant. One would be Chuckie English, true name Charles Inglisi. English was the top lieutenant of Giancana during Giancana's reign as the top boss from 1957 to 1966. However, he is now aging, and although seen from time to time in the company of some prominent LCN members, particularly at Bruno's Service Station, a mob hangout and meeting place on the west side, it is not clear that he is currently active. The Pettit brothers, Joe and Larry, while

active, seem to sometimes serve Lombardo and sometimes Nagall.

Another outfit member who deserves some mention is Frank "The Horse" Buccieri. Buccieri is the brother of the deceased capo, Fiori "Fifi" Buccieri. Frank was slated to take over his brother's slot in the outfit when Fifi died. However, he did not have the ambition to become a capo. He desired the easy life. He, therefore, negotiated for concessions wherein he has a certain status in Chicago which gains him the income which he needs to maintain a high life style with a residence in Palm Springs, California, where he is able to spend most of his time, something he would not be able to do if he was the capo of a crew here in Chicago.

Others would be Frankie Schweihs, perhaps the leading "hit man" of today. Schweihs, a big, tough, thug has been used extensively in the past ten years or so for the "heavy work." He continues to be used in this capacity, especially since Wayne Bock, mentioned above, is seriously ill at present.

Another two individuals who should be identified are Anthony "Bucky" Ortenzi and Sam Carlisi. They are the bodyguard-drivers-errand boys for Aiuppa. For many years it has been Ortenzi who must be contacted if another mobster wants to see Aiuppa. Dominic "Butch" Blasi is another appointment secretary of Aiuppa, just as he was with Accardo and Giancana for decades. However, he has health problems at present which seriously hamper his availability and he is virtually retired.

The "heavy work" of the outfit, the violence, has been handled in recent years by several people. Whereas years ago they were commanded by Alderisio and by Chuckie Nicoletti and all "hits" were supervised very closely if not actually committed by this pair. However, in recent years this appears to be a function of the ubiquitous Lombardo. He apparently has directly participated in some of these himself. One of these was the shotgun killing of Richard Cain, true name Riccardo Scalzetti, on December 20, 1973. Cain was a "made" member of the LCN in Chicago whose function was to infiltrate law enforcement. After a career of moderate length in the Chicago Police Department, Cain became the Chief Investigator of the Cook County Sheriff's Office. After a short tenure there, ending in controversy, Cain became the confidante and trusted lieutenant of Giancana. After travelling extensively with Giancana all over the world with a home base in Mexico, Cain returned to the United States in the early 1970's. He attempted to manipulate his way into the rackets assigned to capos, using his clout with Giancana as a lever. However, since Giancana was in self imposed exile, as detailed hereinabove, his clout was insufficient to protect the loose cannon which was Cain. Hence Cain's slaying.

There is a small body of authority linking Lombardo to the killing of Giancana himself. Giancana had returned to the country after being expelled from Mexico in the summer of 1974. Within a year he had worn out his welcome and he was quickly dispatched with the favorite weapon of the mob today, a .22 caliber revolver with a silencer. Most authorities believe this was accomplished by Dominic "Butch" Blasi, Giancana's

most trusted aide and his bodyguard-driver-appointment secretary. It is an accepted fact that Blasi was on the scene of the crime, Giancana's home at 1147 S. Wenonah in suburban Oak Park, at or very close to the time of the act. However, it is not the opinion of this consultant that Blasi committed the deed.

Violence has certainly become an accepted practice in Chicago today. It appears to be much more common and life appears to be much more cheap than heretofore. The reasons appear to go hand in hand with the content of what is to appear hereinafter in an examination of the alliance between crime and politics. The hoodlums obviously believe they are better protected from surveillances and from ultimate prosecution than they have been in the past. This certainly does not appear to be a fact on the federal level. The FBI, the U. S. Justice Department Strike Force and the U. S. Attorney's Office have recorded significant accomplishments in the very recent past. The Pendorf investigation of the FBI and the subsequent prosecution by the Strike Force, for instance, as described above, are accomplishments certainly equal to, and perhaps surpassing, anything done in the past years on any level.

However, it also appears to be true that no body of law enforcement in Chicago today has an active and frequent surveillance function. Whereas years ago the FBI and the Chicago Police Department, during the period when William J. Duffy was Deputy Superintendent in charge of the organized crime function, regularly surveilled most of the leaders and many of the prominent members. It is certainly accepted by knowledgeable law enforcement people that surveillance for the sake of surveillance is pointless. However, there are many selective occasions when it is most productive and it does not appear that at present law enforcement in Chicago is utilizing this technique except on the most

selective of occasions.

It would seem entirely possible that should a hit man feel that he is the possible subject of a surveillance or that perhaps his victim is, he is going to be much more circumspect before attempting this assignment. Furthermore, it would appear that should the leader who sanctions the hit feel that there is a good possibility that his meeting with the capo who in turn orders the hit might be under surveillance, he will not open himself to a conspiracy charge by such a meeting.

This may seem to be a simplistic approach and in no way is it meant to be the all inclusive answer to the problem. It appears to have merit, however, and is a suggestion respectfully forwarded.

This really addresses the problem of a lack of a solid intelligence function applied to organized crime. Years ago, when the FBI was installing dozens of electronic surveillances in the headquarters and meeting places of the LCN in Chicago, the FBI literally was knowledgeable on almost an hourly basis of the activities, of scores of the top leaders and some prominent members of the outfit. There was a time during this period, 1959 to 1965, when it could be said that law enforcement in general and the FBI in particular was over focused on intelligence operations in its organized crime investigations and under emphasized in the direction of its aim toward prosecution. That may well have been a valid criticism. Now, however, the pendulum seems to have swung and the reverse seems to be true, at least from the vantage point of this consultant which admittedly is no longer from the inside.

In any event, whatever the reason, the Chicago mob today has a much greater propensity toward the quick hit. Violence seems to be

the keystone of this group. While it may be sensationalizing to suggest that we are returning in Chicago to the era of the machine gun and the pineapple, we certainly have recently receded to a level of gunfire not seen here since Capone.

The above represents a serious attempt to identify the individuals and functions of the leading LCN members in Chicago as of the date of this hearing. No attempt has been made whatsoever to identify each and every soldier who is currently working for the Chicago mob. It is felt that for the purposes of this hearing it is sufficient to point out just those leaders and prominent members whose activities make a significant impact on the citizenry of Chicago. That there are others who represent a danger is certainly true. However, it is felt that to dilute this narrative by an endless identification of each and every common ordinary soldier in the Chicago LCN would diminish the impact of those so spotlighted. However, in the event this Committee would desire that this be done, it can be accomplished in the future.

Accompanying this narrative on the current status and structure of organized crime in Chicago as of March, 1983, is a chart of the structure of organized crime.

This chart was prepared by William K. Lambie, Jr., an Investigator for Neil F. Hartigan, Illinois Attorney General, and the Chicago Crime Commission's Special Consultant on Organized Crime, William F. Roemer, Jr.

The chart supplements the information appearing herein in this statement and reflects the best opinion of knowledgeable informants in organized crime and on the fringes of organized crime, and the best information available from Chicago area law enforcement agencies.

Joseph Aiuppa
Birthdate—12/1/07
FBI# 951184 IR# 17860

Anthony Accardo
Birthdate—4/28/06
FBI# 1410106 IR# D83436

Anthony Spilotro
Birthdate—7/15/38
FBI# 562145 IR# 14183
Photo Unavailable

John Philip Cerone
Birthdate—7/7/11
FBI# 6277115 IR# D83743

Gus Alex
Birthdate—4/1/10
FBI# 924229

Nicholas "Nicky" Ferriola
John Spilotro
Joseph "Joe Hunyo" Brancato
Chris Petti
Joseph Caramico
Lo Kaffo
Frank Balistrieri
Frank "Lefty" Rosenthal

Anthony Ortenzi
Birthdate—1/1921

Sam Carlisi
Birthdate—12/15/14
FBI# 1437018
IR# 6220934
Photo Unavailable

Dominic Blasi
Birthdate—3/9/11
FBI# 6317116 IR# D83783

Willie Mussino
Birthdate—1/1/11
FBI# 822201 IR# 12433

Joseph A. Ferriola
Birthdate—2/10/27
FBI# 737914 IR# 252495

LIEUTENANTS
Salvatore Bastone
Dominic Cortino
Marco D'Amico
Sal DeLaurentis
Ernest Infelice
Louis Marotto

SOLDIERS

Louis Aleman	Attilio Lavarello
Joseph Amato	Robert Lewis
Joseph Andriacchi	Sam Londino
Donald Angelini	Sam Mirabile
James P. Basile	Frank Matrise
Robert Bastin	John Marcello
Carmen Bastone	Mickey Marcello
Wayne Buck	William McGuire
Ralph Castellano	Clement Messina
Pasquale Cavaliere	Joseph Mesi
Charles Cesario	Salvatore Molino
John Coppini	Leonard Musella
John Crediio	James Nicholas
Americo DePirro	William D'Neill
Sal DeRose	Joseph Pecoraro
John DiFranco	Alfred Pereira
Anthony Fino	Richard Pickarski
Arnold Garris	Danny T. Poe
Frank Gracatone	Michael Posner
Anthony Giancola	Robert Salerno
Donald Grieco	Sam Samarco
Joseph Grieco	Michael Sanni
William Jahoda	Leroy Skindowski
Stanley R. Jasinski	Joseph Spadavecchia
Nick Kokalas	John Varelli
John Lamanna	Orlando Venturo
John LaPlaca	
Hy Larner	

Joseph Lombardo
Birthdate—1/13/29
FBI# 672515E IR# 15470

LIEUTENANTS
Anthony Aleman
James D'Antonio
Louis "the Mooch" Eboli
Larry Petitt
Dominic Senese

SOLDIERS
Phil Arnetz
Sam Arrida, Jr.
Jimmy Bartell
Anthony Brancato, Jr.
Frank Broccoli, Jr.
Gerald Cesario
Ron Covello
Tom Covello
James Cozzo
Ron D'Angelo
Con DeBartolo
Charles English
Tom Fechtner
Frank Fusco
Tintino Inserro
Rocco Lombardo
Ralph Mascio
Joseph N. Petitti
Mario Romone
Nick Regillo
Pat "Patsy" Riccardi
Sam Rosa
Frank Schweihs
Lucien Senese
Michael Spilotro
Victor Spilotro
Michael Sclafani
Steve Torello
Joseph Tonto
Irwin Weiner

Angelo LaPietra
Birthdate—10/30/20
FBI# 1777400 IR# D46410

LIEUTENANTS
Frank James Calabrese
Frank Caruso
John Fecarotta
James LaPietra
John Monteleone

SOLDIERS
Joseph Albano
Ernest Amatto
Frank Bruno Barbara
Sam Bilis
Anthony Bova
Frank Buttino
Frank Michael "Mike" Caruso
Rich Catizone
Charles DiCaro
James DiCaro
Paul DiCaro
Sam Gelio
Morton Gellos
Jerome Gratis
Anthony Imperato
Angelo Impostato
Vincent Inserro
Joseph LaMantia
Richard LaMantia
Anthony Mazeza
Nick Montos
Dominic Palermo
Flor Piccinini
Aldo J. Piscitelli
James Quarello
Carmen Russo
Terry Scalise
Tom Scalise
Nikolas Stefanidis
Michael Talarico

Vincent A. Solano
Birthdate—10/12/19
FBI# 1990437 IR# D4182

LIEUTENANTS
Joseph Arnold
Joseph DiVarco
Michael Gitta

SOLDIERS
Anthony Acmaro
Dan Barbisi
Ray Caccatello
Thomas Campione
Jasper Campise
Orlando Catanese
Anthony Cipriano
Anthony Cirignani
Frank DeMonte
Sol Dodero
Sol Finkelbar
Sal Grottaduare
Murray Jaen
Walter Micari
Joseph Morici
Daniel Morsellio
Nick Nitti
Frank Orlando
Leonard Patrick
Mike Patrick
Frank Paula
Sam Sarcinelli
Chirai Sarlitella
Morten Shapiro
Calvin Sickin
George Sommer
Anthony Spadafore
Ray Spencer
Arnold Taradash
Frank Tornabene
Leo Yeras

Albert Caesar Tocco
Birthdate—8/9/29
FBI# 296494

LIEUTENANTS
Joseph Barrett, Jr.
Tony "Dago Tony" Berretoni
Richard Guzzino
Chris Messino

SOLDIERS
Douglas Aldridge
Harry Ansel
Daniel Bonnets
Ray Bridges
Clarence Crockett
Frank D'Andrea
Gerry Ferraro
Sheldon Fishman
Joseph Marek
Gino Martin
Seymour Miller
Tony Pellegrino
Joseph Jerome "Jerry" Scalise
Jerry Scarpelli
Eric Schmidt
Al Troiano
William Zanon
Richard Zink

SECTION III

ALLIANCE BETWEEN ORGANIZED CRIME AND POLITICS IN CHICAGO

The umbrella which protects the Chicago mob and the lynch pin which holds it together, enabling it to function, is its alliance with politics.

Nowhere can organized crime operate effectively without the connivance of public officials. This would include law enforcement officers, legislators, judges and key public officials.

We believe that nowhere in the country has this been truer than in Chicago.

It has been widely reported that the FBI engaged in extensive electronic and other surveillance beginning in 1959 and continuing until about July, 1965. Information gathered during that period was spectacularly revealing information especially concerning the links between organized crime and this City's elected officials. Some of this story has been told, some has not. But in any case it needs to be recited today to alert the citizens of this City to the kinds of things that have gone in the past and will probably be repeated in the future.

In 1959 the headquarters of the Chicago La Cosa Nostra was in a luxurious custom tailor shop located on the Magnificent Mile on North Michigan Avenue in Chicago. There daily meetings took place of the upper echelon leaders of that era. Tony Accardo, Sam Giancana, Murray Humphreys, Gus Alex, Ralph Pierce, Les Kruse and Frank Ferraro, Giancana's under boss, were the prime movers who visited almost daily.

Frank LaPorte, the capo in southern Cook County, would come in and give a long report on his territory, with particular emphasis on the identities of those law enforcement officials and public officials who were on his payroll. It was a revelation because some of these people were officials who were most trusted and cooperated with.

We became aware of an association between Murray Humphreys and John D'Arco, then the alderman and Democratic Ward Committeeman of the First Ward of Chicago, the ward which encompasses Chicago's Loop and its near south and west sides. It soon became apparent to us that (1) Humphreys had a long acquaintance with D'Arco and (2) he occupied a domineering role over D'Arco.

We learned that Humphreys was upset with D'Arco because D'Arco had influenced the Chicago mob to back Richard J. Daley when Daley ran against the incumbent Martin Kennelly for mayor of Chicago in 1955. It was clear that the mob had little influence on Daley much to its surprise.

At this time I want to point out that Captain Joseph Morris had been in charge of the Scotland Yard Unit of the Chicago Police Department and Sgt. William J. Duffy had been his protege there. However, their unit has been disbanded in the mid 50's. Humphreys wanted to be sure that Morris and Duffy were not put back in charge of organized crime investigations. Unfortunately for him, Orlando W. Wilson was named Superintendent of the Chicago Police Department and he soon named Morris Deputy Superintendent in charge of a newly created Bureau of Inspectional Services which housed the organized crime function. Morris promptly named Duffy the Director of the Intelligence Unit, the unit which had the primary responsibility for investigation of the mob.

In early 1960, however, Humphreys and D'Arco had better luck. Together they decided that a particular friend of theirs, a police official who had a glorious reputation in Chicago as a hoodlum fighter but who was actually in the pocket of the mob, should be selected as the Commander of a Police District, a choice assignment

and a strategic one for the outfit. Soon after they made their decision the announcement of appointment of their man was made.

About that time I had my first confrontation with D'Arco. Giancana, then the boss of Chicago LCN, had returned from a trip he made to Mexico. Customs officials, recognizing him, had searched him and found a list of the code names of all the top hoodlums in Chicago together with a figure after each name. On the list was the name of D'Arco. We suspected that it was a list of the number of points each hoodlum was to get in a race track in Mexico which we knew Giancana had been negotiating for. So I went to D'Arco in his office across from City Hall and said, "Alderman, you are a public official of the City of Chicago and being public spirited I am sure that you desire to help the FBI determine the significance of this list. Why would your name be on such a list when all the others are the top gangsters in Chicago?"

This raised the ire of D'Arco and he shortly informed me that although he grew up in the same neighborhood as did Giancana and most of the other people named on the list, he did not have an understanding of the nature of the list. When he asked me why I would come to him with such a question, I told him that the FBI had no desire to embarrass him by asking such a question about him or anyone else.

D'Arco then became quite angry and he told me, "Roemer, the FBI cannot embarrass me in this town. You go throw your best shot. I am too big a man in this town to be embarrassed by the FBI. As long as my constituants elect me nobody can embarrass me."

I was hard pressed to forget those words as the years went by. Soon after I began to concentrate on Sam Giancana and we learned

that John D'Arco was not the only First Ward official working under the control and domination of the mob. In fact, we found something much more sinister than that in the First Ward. We found that an actual "made" member of the Chicago LCN was running the First Ward and giving orders to D'Arco. This man was under the discipline of Giancana and the mob and was the sub rosa director of the affairs of the Regular Democratic Organization of the First Ward. He kept a very low profile, as ordered, and his title has been actually Administrative Assistant, but from our coverage of Giancana, there was no room for doubt that Pat Marcy was the real boss of the First Ward. Not only of the Democratic First Ward but a man who exercised the same domineering control over the Committeeman of the Regular Republican Organization of the First Ward, in those days Pete Granata, then a highly placed Illinois legislator. Of course, Marcy is still there today.

In fact it became so evident to us that the Regular Democratic Organization of the First Ward was but an extension of organized crime in Chicago that we documented our case to J. Edgar Hoover and the rest of the leadership of the FBI in Washington, and began work on the First Ward itself at 100 N. LaSalle, across the street from City Hall. We were not surprised to find that Marcy and D'Arco were merely conduits for the orders which flowed from the mob, usually in the person then of Giancana, to those politicians and public officials including law enforcement officers and members of the judiciary, who were under their control.

Marcy, like Dick Cain, identified herein above, is an actual member of the mob. Whereas Cain had been groomed from early age to

infiltrate law enforcement, Marcy had been groomed to infiltrate politics. His true name is not Marcy. It took us a long time to determine his actual name, which I recall as Pasqualino Marchone.

During our investigation we learned that Marcy was close to a police officer assigned to the 1st District of the Chicago Police Department. A bribe had been offered through Marcy and the police officer to a particular officer who was assigned to the 1st District Vice Squad and who would not overlook violations at the bars and strip joints then on South State Street in the Loop in the First Ward. He would not accept the bribes and he kept on enforcing the law. Marcy and the police officer actually made plans to kill the recalcitrant officer.

I remember that we advised Robert F. Kennedy of this shortly after he left this Committee and became the Attorney General. He was appalled.

Another recollection of mine about this period of time concerned a time when a former boss of mine in the FBI, Roswell T. Spencer, retired from the FBI and became the Chief Investigator for the Cook County State's Attorney. He told his boss, Dan Ward, "Watch out for John D'Arco." Ward replied, "That's the first thing Mayor Daley told me."

Marcy, being the power behind the First Ward throne, frequently met with Giancana. Not in the First Ward headquarters but instead the usual procedure was for Dominic "Butch" Blasi, Giancana's bodyguard-driver-appointment secretary to pick Marcy up and take him to the meeting place.

Marcy also had another set of bosses. These were Humphreys, Alex and Ferraro, Giancana's underboss. The "corruptors" as we

called them. Alex was the mob boss of the Loop. He controlled the gambling and the take from the night clubs and strip joints which existed, particularly on South State Street during the 1950's and 60's.

Humphreys during this period of time was the master fixer of the mob. Alex, Ferraro, Ralph Pierce and Les "Killer Kane" Kruse were members of his group. They were responsible to work through Marcy and others to insure that organized crime in Chicago got favorable treatment from labor leaders, businessmen, law enforcement, public officials and members of the judiciary.

I remember one time in May of 1960 we followed Humphreys on a trip he made to Washington, D.C. After he arrived there he made a visit to a congressman representing a district of Illinois. When he went in he was carrying a package. When he left an hour or so later he was not carrying a package. He then went to the Hamilton Hotel in Washington. There he met a congressman representing another district of Illinois. When he went in he was carrying a package. When he came out an hour or so later he was not carrying a package.

It was the practice of the hoodlums not to allow anything to expose the officials working with them. For example, Humphreys would encourage a judge to be a "hanging judge" and to get himself a reputation as a tough judge, on the side of the prosecution. Then he could do a favor for the mob and if someone criticized him, he could just say, "look at my record; look at my statistics. You can't just pick out this one case."

Pat Marcy occasionally met with Gussie Alex. I remember one time we had an informant who was being called on the carpet because he had violated one of the mob tenets. He was called to the Normandy

Lounge, in the same building but around the corner from the First Ward headquarters. There he met both Marcy and Alex since his problem involved gambling in the Loop, the domain of both Marcy and Alex.

I remember on one occasion I learned that Humphreys criticized Joseph Paul Glimco, the boss of Local 777, the Taxicab Drivers' Local of the IBT, due to the fact that he had gone to one of the judges under the influence of Marcy and requested favorable treatment. This was a strict violation of mob protocol inasmuch as Marcy was the individual who was designated by the mob to contact this particular judge as well as most others. Humphreys was greatly angered over the fact that Glimco had contacted the judge himself even though Glimco's problem was a personal one and the judge was a long-time friend of his.

The line to Marcy, and to a lesser extent to his underling, D'Arco, from the Humphreys corruption squad was similar to the method by which Giancana reached them. However, in this case the messenger was Hy Godfrey, true name Hyman Gottfried. Godfrey was the right-hand of Humphreys and to a lesser extent of Alex and Ferraro just as Blasi was of Giancana. The procedure was very similar. However, in this case Marcy would be escorted to the meeting place with Humphreys, Alex or Ferraro by Godfrey. Frequently that site was Mike Fish's Restaurant where Fish provided a private room on the second floor at his dining spot on Ontario between St. Clair and Michigan. On several occasions we observed the almost daily luncheons of the corruption squad through the technique of a fixed surveillance. We gained the cooperation of the tenant across the street from Fish's who allowed us to use his premises. We could then see who entered, who climbed

the stairs to the second floor and who sat at the table.

Another illustration of the power of the outfit involves the trial of Tony Accardo who was prosecuted by Richard B. Ogilvie, the Special Assistant to the Attorney General and later to become Governor of Illinois. This was 1959, I believe. Accardo, and his chief henchman of the day, Jackie Cerone, now the big man here, had themselves placed on the payroll of a beer distributor in Chicago and Accardo had deducted from his income tax return expenses for the use of a car utilized, he claimed, when he made sales calls. At the direction of Ogilvie, we had initially investigated this situation to determine whether Accardo and Cerone had extorted and/or intimidated in make sales of their beer to night clubs, restaurants and bars. We found none of his numerous customers who would admit buying beer from either. We thought we had failed in our investigation. But the clever Ogilvie found an interesting area of investigation. He turned it right around. If Accardo never made sales calls, then how can he deduct car expenses? He indicted and convicted Accardo. However, Accardo was able to keep intact his record of never having spent a night in jail when the conviction was overturned by the Circuit Court of Appeals in this district.

But what is interesting is that we knew that Murray Hymphreys had plotted the defense of Accardo as one of the functions he was assigned as the head of the "corruption squad." First, he tried to find witnesses who (1) were creditable, without a history of convictions or association with organized crime, and (2) those who had not already been interviewed by us during the initial stage of the investigation during which they claimed never to have been contacted by Accardo.

Then Humphreys got the list of the members of the jury panel on the Accardo trial. He parceled out the names on the list to each capo. They were to investigate each member of the jury to determine what lever they might find to get to the jury. For instance, if one of the jurors was a member of a union, who do they know in that union who might help that juror in the future if he could be "shown the light?" If a juror was a businessman, who might they know who might help that man? If the juror was a city employee, who do they know who might help him? As a matter of fact, I recall that one of the jurors later substantiated for us an approach made to her. She lived in Lyons, as I recall, a western suburb of Chicago. One Sunday morning during the trial, there was a knock on her door. It was the Mayor of her town. Could he talk to her? He did and what he said was that he was a personal friend of Accardo and that he knew Accardo as a "real nice man. If I were you, I couldn't believe every witness who gets on that stand and says something bad about Accardo." Or words to that effect.

After the conviction of Accardo in the U. S. District Court, Humphreys was far from beaten. Accardo's conviction was reversed.

I had other contacts with John D'Arco as matters came up. I remember on one occasion he told me that he knew that I was a member of the bar and a graduate of Notre Dame Law School. Although I discussed it with my superiors later as a possible attempt to bribe me, we agreed that he had not gone that far when he told me that he was sure that with his help I could make "twice as much money the first year as you make in the FBI" if I were to quit the FBI and open up a law office in Chicago.

I also had contacts with Pat Marcy. However, whereas D'Arco would submit to interviews, Marcy would not. He constantly refused to answer any questions and routinely referred me to his attorney.

Now there came a time when we learned that Giancana had become disenchanted with D'Arco. He apparently felt that D'Arco was a liability in the City Council. He, therefore, was considering ordering D'Arco not to run for re-election for either of his posts in the First Ward and even stripping him of his post with Anco Insurance Company. This action was opposed, however,by Humphreys, Alex and by Accardo. Marcy was playing both sides by letting D'Arco think that he was supporting him but instead telling Giancana to replace D'Arco.

We in the FBI also consulted about it. Was the situation enhanced or worse with D'Arco aboard? Would a new face be better or worse. We agreed between ourselves that D'Arco, even with his shortcomings,was an effective tool of the syndicate and that it would be much better if he were replaced by somebody who would be bound to have fewer contacts, less experience and might not have the blind discipline to the commands of Giancana, Humphreys, Alex and the rest of organized crime. We therefore agreed to wait for the right opportunity and if it presented itself to make a move enabling Giancana to see fit to ignore the advice of what we considered to be the real political experts in the outfit, Humphreys and Alex.

Soon the right opportunity presented itself. We found that Giancana had agreed to a "sit down" with D'Arco to allow D'Arco to plead his case. "Mo" as Giancana was known to his associates from his true name, Momo, would meet with D'Arco at 2:00 in the afternoon in a private room at the Czech Lodge in North Riverside, a remote

southwestern suburb of Chicago.

Three of us FBI agents went out to the Czech Lodge. Since we did not know which of the several private dining rooms there was to be used for the "sit down," we split up. I spotted Buddy Jacobson, an aide of D'Arco who worked for Jake Guzik since the 1920's or 1930's in the First Ward, acting as a lookout outside one of the private rooms. I knew, therefore,that this must be the site of the "sit down."

I brushed past Jacobson, no problem because by 1962 Buddy was elderly. Alone in the room I spotted Giancana and D'Arco hunched towards each other over a small table, obviously engaged in a most serious conversation.

"Ho, ho, ho, it's Mo," I shouted. Giancana recognized me from many confrontations and glared. I turned to D'Arco. Thinking to myself, I wonder who might be embarrassed now, I put out my hand and said, "Hello, John." D'Arco, apparently with the reflex action of a politician, returned my handshake and smiled.

Giancana, still sitting, struck out under the table and kicked D'Arco. "This is Roemer, you (obscene)," he shouted to D'Arco.

D'Arco turned ashen, quickly disengaged his hand and sat down. He looked at me and he looked at Mo. And back to each of us again. I think then he realized for the first time that perhaps, in fact, the FBI did have the ability to embarrass him.

The next day it was announced that D'Arco had suffered a heart attack and was taken to a hospital. He then announced that he would not run for re-election as alderman.

However, it turned out to be a pyrrhic victory for us and for Chicago. Ultimately, it was decided that D'Arco, although he would

give up his seat on the City Council, would retain his interest in Arco Insurance and his post as Democratic Ward Committeeman. This being an elective post, he would have to run for election but that was the least of his concerns.

As a result, John D'Arco is still with us today.

Many machinations took place before a successor to the alderman's post was elected in the First Ward. But first Giancana chose his nephew, Anthony "Busy Busy" DeTolve.

When it turned out on the eve of the election that DeTolve was a bumbling idiot, Giancana told him to get lost and replaced him as a write-in candidate with a personable, capable attorney named Michael Fio Rito. However, we knew that Fio Rito was a suburbanite and not eligible for election in the First Ward of Chicago. Dick Ogilvie and his men conducted an investigation showing that Fio Rito could not have been living at a Loop area hotel as he claimed.

I met with the intelligent Fio Rito and explained to him the many problems ahead for him which included the investigation of his apparent fraud in his residency and the fact that he would have to live under the domination of Pat Marcy, Sam Giancana, Murray Humphreys, Gussie Alex et al.

I could not properly explain this in a first meet with Fio Rito because he came accompanied by a close ally of Marcy, but in a second secret meeting I believe I got my point across to Fio Rito.

Ultimately, Fio Rito announced that he was resigning his newly won alderman seat.

Now the First Ward and the outfit were doubly embarrassed. First, they had to replace their candidate just days before the election, after the ballots had already been printed. Then, after their

candidate prevailed, he withdrew.

The next in the line of First Ward aldermen was Donald Parrillo. Parrillo was the son of a former Republican official from the west side. Parrillo served on the City Council for several years, as I recall, and then he was replaced by Fred Roti. Roti is the son of Bruno Roti who was before my time. But as I understand, Bruno Roti had a very important leadership position in the LCN in Chicago, on the near south side, probably under Frank Nitti in the 1930's.

By the time Roti was selected, our surveillance was less intense. However, as the years went by we continued to develop information indicating to us that Pat Marcy continued to call the shots which his superiors in the mob commanded and that he continued to be the conduit through which the orders from the leadership of organized crime passed to those politicians and public officials who were under the control of the Chicago LCN.

Informants continued to advise through the years that D'Arco and Roti were the front men for Marcy and for the mob. They continued to have the same success, or lack thereof, with Mayor Daley and the same general type of success with Michael Bilandic when Bilandic succeeded Daley in the mid 1970's. By this I mean that Mayor Bilandic treated the First Ward at arms length and did not accede to their every wish although he did not take any action to expose or curtail the First Ward in their dealings with other public officials.

I left the Chicago office of the FBI and organized crime investigations in Chicago in May of 1978 after I obtained a transfer to the Tucson office of the FBI where the FBI there was initiating the investigation of Joe Bonnano, the last remaining charter member of

the Commission when it was founded in 1931. Following the successful prosecution of Bonnano, I retired in March, 1980.

However, I did not retire from organized crime investigations. I opened my own investigative consulting agency in Tucson and I have returned some fifteen times to Chicago during the past three years, working as a private investigator on behalf of clients who have requested organized crime type investigations. And during these past three years I have built and maintained my organized crime contacts. I have spent the past month in Chicago as Special Consultant on Organized Crime for the Chicago Crime Commission with the assignment to update myself, through my sources, on the current status of organized crime here with particular emphasis on the tie-in between the mob and politics.

It would be overstatement to say that I am appalled but it would conversely be understatement to say that I am merely surprised to find that the Chicago mob seems to be better entrenched and more active and more powerful than they were in years past.

I have heard Dan Webb, the U. S. Attorney, say recently that he considers the mobsters just a "bunch of street punks." I agree with him to some extent. If he means that the average rank and file soldier is just a punk, I have no argument. I agree. They are the dregs of society.

However, if Dan is talking about Accardo and Cerone, for instance, I would respectfully disagree. I have met frequently with them, particularly Cerone. I know neither has a Harvard or Yale education, but they are wise, street wise.

Jackie is an avid reader of best sellers. Even though he suffered a heart attack some time ago, he is apparently fully recovered

and keeps himself in top condition at the age of 68 by working out daily. He is a strong force to be reckoned with, both mentally and physically. A worthy foe for any law enforcement officer. Accardo the same. This man has been a force in the Chicago LCN for some seven decades! He is the most respected boss the outfit here ever had. How can a man like that be underestimated? Aiuppa is not in the same class in my opinion with Accardo and Cerone, and from my brief encounters with him I would say he would know that. But he has his own qualities and anybody who has survived some dozen years as the top boss here has to have the experience, knowledge and contacts to be a worthy adversary of law enforcement.

The heir apparent, Joe Ferriola, aka Nagall, is from the same mold. This man is also a force and so is Donald Angelini whom I've talked to on many occasions. Another definite force. I have the same feeling about Dominic Cortina.

Therefore, at least as far as the leadership is concerned, I would not want to be guilty of any underestimation.

Turning to a discussion of the political arm of the mob, the same things I say about Cerone, Accardo et al can be said about Pat Marcy. The man is probably 70 now. Chicago crime and politics have been his life. I would venture to say that he might be the most knowledgeable politician in Chicago today. The Mayor, the Chairman of the County Board, the Party Chairman are all far less experienced in terms of years spent on the political scene in Chicago. (Or more precisely behind the political scene in Chicago.)

Having said that, let me address the current politican situation in Chicago today as it pertains to infiltration by the outfit.

My sources in the mob, in politics and in law enforcement tell me that at no time has the "First Ward" been so close to the power in Chicago. By the "First Ward" they indicate Marcy, D'Arco and Roti. What we are really talking about when we refer to the First Ward in this context is organized crime. Any Chicago administration which fails to recognize the place organized crime plays in the First Ward is at least naive if not worse.

As I near the conclusion of this statement to this Committee, I would like to pick a somewhat recent example of what I have been trying to say concerning the obvious current power of the LCN in Chicago.

Keep in mind that way back in 1959, when this Committee was sitting with similar hearings on the mob in Chicago, Murray Humphreys, then the master fixer of the mob, told John D'Arco, then and now the figurehead out front in the First Ward, his minimum desire. He told D'Arco that under no circumstances did he want Joe Morris or Bill Duffy put back in any position of power to investigate organized crime in the Chicago Police Department.

Talk about going full circle. Nothing changes in Chicago.

In 1980, Joseph DiLeonardi was the Superintendent of Police in Chicago. Mayor Jane Byrne was the Mayor. According to quotes attributed to DiLeonardi, in the public press at the time, he was approached in his office by two of Mayor Byrne's top aides, William Griffin and Michael Brady. Griffin was to become Deputy Mayor and was Mayor Byrne's recent campaign manager. According to DiLeonardi, these top aides told DiLeonardi that she wanted Bill Duffy "chased;" demoted out of his position as Deputy Superintendent of the Bureau of Inspectional Services where he had the ultimate responsibility

for investigation of the organized crime.

DiLeonardi states that when he asked Griffin and Brady why Mayor Byrne wanted Duffy replaced, Griffin and Brady replied that it was at the behest of John D'Arco!

DiLeonardi refused to "chase" Duffy. Two weeks later he was demoted by Mayor Byrne. Shortly after a new superintendent was appointed. Deputy Superintendent Duffy was demoted to a watch commander in a far north side district where he remains today, far from the fight against organized crime.

It will be interesting to see how the election of a new mayor and the concomitant new administration will affect the outfit. In analyzing their situation, attention could be invited to the fact that they have existed with some eight or nine Chicago mayors since Colosimo. Under some such as "Big Bill" Thompson and Jane Byrne they have thrived. Under some such as Tony Cermak they have been hard hit. Under some such as Kennelly and Daley they were treated with a benign neglect. And yet as of the date of this hearing they are strong as ever.

PREPARED STATEMENT OF DONALD J. WHEELER

SPECIAL AGENT-IN-CHARGE
CHICAGO OFFICE
ORGANIZED CRIME AND RACKETEERING SECTION
INSPECTOR GENERAL'S OFFICE
DEPARTMENT OF LABOR

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

CHICAGO, ILLINOIS

MARCH 4, 1983

Mr. Chairman - I appreciate very much the opportunity to appear before you today and share with you and the other members of the Committee the Department of Labor's assessment of organized crime's influence, domination and control over certain elements of the labor movement in Chicago.

My name is Donald J. Wheeler. I am the Special Agent-in-Charge of the Chicago Office of the Organized Crime and Racketeering section of the U.S. Department of Labor. This agency is charged with the responsibility of conducting criminal investigations of labor racketeering, particularly in unions and pension and welfare benefit plans believed to be infiltrated by traditional organized

crime groups such as the Chicago syndicate led by Joey Aiuppa. Investigations conducted by this office are done in participation with the Chicago Strike Force, and when appropriate, the U.S. Attorney's Office, in support of the Federal Government's overall efforts to combat organized crime.

Corruption and organized crime influence and control in the labor movement in Chicago was dramatically exposed and detailed in hearings before the Senate Select Committee on Improper Activities in the Labor Management Field chaired by Senator John McClellan of Arkansas between 1957 and 1959. Those proceedings disclosed a record of corruption and oppression within many of the largest and most significant unions of this city by organized criminals and racketeers. The record developed in the three years of investigations and hearings by the Committee is replete with evidence of threats, violence, bribery, embezzlement, extortion and kickbacks in the operation of many of our labor organizations, pension funds, and welfare benefit plans. Hearings and testimony before this Committee in the past three years indicate that there has been little change in the past twenty. In fact, evidence presented to the Committee seems to suggest that the problem of labor

racketeering is on the increase in some areas of this country.

Mr. Chairman - with regard to the Chicago area, based on the work of this office over the past three years, and joint efforts and coordination with other law enforcement components with responsibility for conducting organized crime investigations, and review of both current information and the historical record, I can only echo the statements of others who have appeared before this Committee in recent years. Mob racketeers continue to dominate a large number of labor organizations in this city. At a minimum, union corruption is at least as bad as it was during the period of the McClellan Committee hearings. If anything, racketeers have become more deeply entrenched in the unions they have penetrated, and more sophisticated in their methods. The passage of time has permitted them to tighten their grip over unions they have infiltrated. The passage of time has permitted them to solidify their positions of power within the labor unions they captivate, and use these positions to provide themselves with the appearance of legitimacy and respectability within the community. The passage of time has permitted them to effectively insulate themselves from the crimes they commit, and from the crimes they direct others to commit. The effect of all these

conditions is a membership within these captive unions that is unlikely to jeopardize their personal safety and individual jobs by rising up against organized crime influence and control of their unions. It is clear that the union election process alone is not sufficient to rid these unions of the organized crime elements that prey upon them.

The infiltration of labor unions and the emergence of labor racketeering in Chicago can be traced to the Capone era of the 1920's and 1930's. Labor racketeering is one of the foundations upon which the great strength, wealth, and endurance of the "outfit" was built. The term "outfit" is commonly used in Chicago to describe the organized crime syndicate or La Cosa Nostra (LCN). Labor racketeering remains one of their principal and most lucrative activities today. It is a particular specialty of the Chicago "outfit", one for which they have been recognized by other organized crime families, law enforcement, and the media. It is an expertise and a specialty which they export and make available to their LCN Associates in control of labor unions elsewhere in this country. The Chicago outfit's control of certain labor unions has facilitated their efforts to infiltrate legitimate business. Certain labor unions in this city have served the mob well over fifty years as hiring halls and by providing employment fronts

and legitimate income for themselves, their relatives, and associates.

The importance of labor unions to the Chicago outfit and the depths to which they are used and controlled is easily demonstrated in the links of some members of the mob hierarchy to certain labor unions in this city. According to published reports Anthony Accardo, currently believed consigliere of the Chicago outfit, was recently identified by a government witness as the absolute ruler of the Laborers International Union of North America (LIUNA). Two of five "street bosses" in Chicago under Jackie Cerone, underboss, hold significant positions in Laborers' local unions. Alfred Pilotto, until recently the President of Laborers Local 5, has been identified publicly as the boss of the mob's south group based in Chicago Heights. Pilotto was recently sentenced to twenty years imprisonment for his conviction in Miami in connection with a two million dollar kickback scheme involving laborers union welfare benefit plans. (Accardo was also indicted in that case along with Laborers' President Angelo Fosco. Both were acquitted of all charges.) Vincent Solano, president of Laborers Local Union 1 in Chicago is identified as the North Side boss in control of gambling, loansharking and vice-activities. Together Pilotto and Solano are said to give orders to

Laborers International Union President Angelo Fosco who has been described in press reports as a "tool of the crime syndicate." Further establishing the link between Anthony Accardo and labor unions in this city is Ernest Kumerow. Kumerow, the son-in-law of Accardo, is the president of the five thousand member Laborers Local 1001 representing employees of the City of Chicago. He is the president of the Laborers District Council of Chicago that represents approximately twenty-one local unions with an estimated membership of forty thousand. Vincent Solano is said to have been gambling figure Ken Eto's immediate boss and reportedly is under investigation in connection with the attempt on Eto's life.

Anthony Accardo is linked to the International Brotherhood of Teamsters (IBT) through Domenic J. Senese, president of Teamsters Local 703 in Chicago. Published reports have identified Senese as related by marriage to Accardo. Senese has been identified as a close associate of organized crime figure Joey Glimco, president of Teamsters Local 777 who appeared before the McClellan Committee in 1959 and pleaded the fifth amendment one hundred and fifty-two times. Senese also appeared before the same Committee and has been described in the press as a

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"former Fulton Street poultry market labor slugger" and as a "muscleman for Glimco."

The most recent and clearest evidence of the Chicago syndicate's extensive infiltration and control of the International Brotherhood of Teamsters and its affiliated pension and welfare benefit plans has come of of the recent trial of Roy Lee Williams, Allen Dorfman, and Joseph Lombardo. That trial, resulting in the conviction of all defendants, for a scheme to defraud the Central States Pension Fund and for bribery of a U.S. Senator, along with the hearings leading up to their sentencing, have disclosed much information and evidence of the Chicago outfit's control and manipulation of the Teamsters through Allen Dorfman and Roy Lee Williams. Outfit control of these two men reportedly was facilitated through organized crime figure Joseph Lombardo of Chicago and Kansas City boss Nick Civella respectively. Incidentally, it is significant to note that despite his recent conviction, and while hearings were taking place concerning sentencing, Williams was re-elected by his fellow union officials to a new term as the president of the Policy Committee of the Central Conference of Teamsters. Some would suggest that this is an excellent example of the historical inability of the rank and file members and the unwillingness of their

elected leadership to deal swiftly and responsibly in removing corruption in their union.

Lombardo, another "street boss" under Cerone and answering directly to Joey Aiuppa, has been identified as the "overseer" of labor racketeering for the Chicago mob. In addition to his documented association with the Teamsters, Lombardo reportedly frequents the offices of Laborers Local 1 run by Vincent Solano.

Joseph Aiuppa, the "operating boss" of the Chicago syndicate to whom Solano, Pilotto, and Lombardo report, is believed to exercise particular interest in, and responsibility over, the outfit's involvement in labor unions. It was Aiuppa to whom the Hotel Restaurant Employeees and Bartenders International Union (HREU) issued a charter establishing Local Union 450 in Berwyn, Illinois. It was Local Union 450 where HREU International Union President Edward Hanley began his union career as a business agent. It was Hanley who after becoming International Union president in 1973 re-appointed reputed Chicago mob figure John Lardino to a position with the International Union. It was Lardino who resigned his union position just several hours before appearing in front of the McClellan Committee in the late 1950's, where he took the fifth amendment sixty times. It is Hanley who is related by marriage to

Frank Calabrese, another reputed Chicago mob figure. And it is Hanley who reportedly is close with Sidney R. Korshak, a prominent Los Angeles labor attorney formerly of Chicago, who allegedly is an important link between organizerd crime and legitimate business.

Mr. Chairman - it is estimated that within the jurisdiction of the Chicago Strike Force there are approximately eighty-five labor organizations affiliated with twenty separate international, national, or independent parent unions that are suspected of being associated with, influenced, or controlled by organized crime and racketeering elements. Associated with these organizations are in excess of forty pension or welfare benefit plans with combined assets in the billions of dollars. Of these suspected mob linked affiliates, it is estimated that approximately eight are associated with the HREU, sixteen with the LIUNA, and twenty-five with the IBT. These estimates are based on past investigative findings, information compiled by investigative agencies and bodies, including this Committee, confidential sources, union members, victimized employers, and the media.

As has been suggested, the domination and influence exercised by the LCN on organized labor in the Chicago area is believed to be primarily centered in the International

Brotherhood of Teamsters, Laborers International Union of North America and the Hotel Restaurant Employees Union. Accordingly, these are the unions of primary investigative concern to this office. Examples of the type of cases we have devoted resources to include the following:

1. Investigation of a Laborers local union official associated with organized crime figure Alfred Pilotto who was suspected of soliciting and receiving illegal payments from construction contractors operating in the City of Chicago and Cook County. The ability to exact payments from other contractors was believed to be facilitated through a construction company wholly owned by this union official. Employees of this company are members of the local union of which the subject individual is the Chief Executive Officer. The company owned by him was partially capitalized by a loan from another company that had been linked to organized crime. It was believed that the company was successful at obtaining contracts with various local government agencies and taxing authorities through political connections, clout of the Laborers Union in this area, and the obvious advantage it

has through its common link with the union that represents its employees.

2. Investigation of a Teamster local union official and reputed LCN figure who represents members employed in the wholesale food distribution industry. This individual was believed to share hidden interests with other syndicate figures in trucking, warehousing and other entities employing members of his union. Through the union, he was believed to control a particular area of the industry. Focus of the investigation was on the subjects' believed hidden interests and suspected receipt of unlawful payments from employers and truck drivers through extortion and solicitation of bribes in return for sweetheart contracts and favored treatment.

3. Investigation of a Hotel Restaurant Employees and Bartenders International union officer for soliciting and receiving loans and indirect payments believed to exceed $300,000 from a Chicago individual having large financial interests in businesses that either employed members of the union or whose employees would be admitted to membership in the union.

4. Investigation of a Teamster pension fund mortgage loan exceeding a million dollars in which the loan proceeds were apparently used for other than the stated purpose. The recipient of the loan was believed to have had hidden partners in the business venture that were either organized crime figures or associates. The loan recipient was also believed to have links with deceased organized crime associate Allen Dorfman as well as Teamster officials through common financial interest in an unrelated company.

Mr. Chairman - while these cases did not result in indictment, they are cited here today for two reasons. They are representative of the very complex and difficult crimes presented in labor investigations, and are an example of cases being actively pursued by this agency. Second, they demonstrate and underscore the extreme difficulty of law enforcement in rooting out these crimes, bringing them to the surface, and gathering sufficient evidence for successful prosecution. The labor racketeering problem in Chicago is pervasive and of long duration. Despite the dramatic successes of a few cases over the years, the problem remains an enormous one which the government has barely begun to tackle. I am unaware of any

continuously successful effort by any agency over the years to address systematically and on a sustained level what can only be described as entrenched corruption of certain labor unions in this city. These remarks are not intended to be critical but are only meant to demonstrate the extreme difficulty of enforcement in this area and our awareness of the need to effectively address them.

These types of cases can only be made if the responsible agencies commit themselves to maintaining labor investigations as a high priority. This commitment must be expressed in the assignment of the most experienced and skilled investigators and prosecutors in sufficient numbers to work together uninteruptedly as a team from the very day an investigation begins. All responsible agencies must be able to bring to bear on this problem the tools and resources commonly available to modern law enforcement and criminal investigation.

The approach used in investigations conducted by this agency is a pro-active one in which the office identifies targets and sets priorities aimed at achieving the greatest impact on what is determined to be the most serious threat of organzed crime/labor racketeering in the area. Investigations are initiated with the concurrence of the Strike Force Chief and in participation with assigned members of

his staff. Agents assigned to the investigations are directed and encouraged to work with special attorneys from the outside utilizing a combined investigator/prosecutor team approach.

In closing Mr. Chairman - it is important to emphasize that the vast majority of labor unions, pension funds, and welfare benefit plans in Chicago and Illinois are honestly run by officers, trustees, and employees that go about the business of representing their members and advancing the welfare of the American people in a lawful manner. My remarks today are reserved for the very few who have and continue to do so much harm to the rank and file members of the labor movement, the business community, and the economic well being of this country.

This completes my prepared statement Mr. Chairman. Thank you very much for this opportunity to appear before you.

PREPARED STATEMENT OF WILLIAM J. OLIVANTI

SPECIAL AGENT IN CHARGE
CHICAGO FIELD DIVISION

DRUG ENFORCEMENT ADMINISTRATION
U.S. DEPARTMENT OF JUSTICE

Chairman Roth and members of the Subcommittee:

I am pleased to submit for the record an overview of Chicago traditional organized crime as it relates to narcotics trafficking.

For at least the past two decades, certain elements of Organized Crime in Chicago have been involved in the trafficking and distribution of narcotics. However, Organized Crime in its popularly conceived image did not control narcotics trafficking, which was, and still is, in the hands of various ethnic groups normally identified with the type of drugs trafficked. For example, the trafficking of brown heroin has been controlled by Mexican violators and white heroin by various ethnic groups.

Dating back to the 1960's, Syndicate involvement was primarily in the area of importation of white heroin through well-established distribution networks between the United States and Europe, principally Italy and France.

From this period to the present, the actual sale of narcotics, again primarily white heroin, involving the Syndicate was accomplished by fringe associates, but was not a policy of the upper echelon Syndicate members. It would be fair to say

that in some cases tacit approval was given for the sale of narcotics by upper echelon members, but no apparent concerted effort was made by the Syndicate to either control narcotics sales or to involve itself in the purchase of large quantities of narcotics for sale and distribution.

Recent investigations have revealed that Syndicate figures are involved in the financing of narcotics through the issuing of extortionate loans, commonly referred to as "juice loans." Another ploy used by the Syndicate to realize profits from narcotics sales is the "area tax," through which upper echelon Syndicate members receive payment for the right to sell narcotics in a specific area; however, this is an indirect connection to narcotics sales, affecting only those fringe elements previously discussed. In effect, the sale of narcotics by certain individuals under this system would be financially beneficial to the Syndicate in the same way as other illegal activities like gambling, prostitution, and extortionate credit.

The following overview outlines Organized Crime involvement in drug trafficking and highlights investigations involving Organized Crime figures. In addition, the financing of drug purchases and Syndicate involvement in the area tax is addressed.

NARCOTICS AND EXTORTIONATE CREDIT LOANS (JUICE)

Commencing in August, 1980, DEA initiated an extensive probe to determine Organized Crime's (Chicago Syndicate) involvement in the financing of narcotics through extortionate credit loans. This was initiated through an undercover probe. Since that time,

selected approaches have been made, and in each instance, the facts as noted below are still considered current and represent the Chicago Syndicate's policy toward furnishing loans for narcotics.

In every instance, the individual contacted showed no hesitation in discussing a "juice" loan even when the word narcotics or various colloquial expressions such as "dope," stuff," etc. were used in reply to "what's the loan for?" It was made clear that there would be "extra points" added to the loan since it was to be used for narcotics. As in a loan through a bank, the borrower was required to furnish a home address and a list of his/her closest relative such as a mother or father so as often repeated, "somebody we can contact in case there's problems."

It was found that if the money was to be used to establish or refinance a narcotic organization then the understanding was the same as any extortionate credit loan. Payment is made on the interest only and usually on a weekly basis. The Syndicate makes the decision as to when the principal can be paid off. On the other hand, if it is a "one time loan," for example, a load of narcotics, then the loan can be paid off at once, usually in a week's time.

Summary

Contacts showed there was no hesitation in discussing a loan for narcotics. In fact, in one instance when a mid-level Chicago Syndicate figure was approached, he demonstrated current knowledge of cocaine prices in Chicago in comparison to Florida.

He further advised the Undercover Agent that a loan could be obtained for $100,000 and that the money would come out of "Cicero."

Information continues to be received, practically on a routine basis, from Cooperating Individuals and convicted narcotic traffickers that all narcotic organizations are expected to pay an "area tax" which eventually goes to the individual street bosses. An example of this occurred when the late Butch PETROCELLI approached Frank PEDOTE and advised him that the word on the street was that he (PEDOTE) was big in narcotics. PEDOTE took this to mean that he would be expected to pay a "tax" if he wanted to keep selling heroin in Chicago.

REPRESENTATIVE CASES

Traditional Organized Crime and specifically the Chicago Syndicate were quick to realize the profit potential in heroin and were in an excellent position to obtain a reliable supply through their New York City connections and overseas in France and Italy. Since that time, the Syndicate has been actively involved in selected instances in the distribution by sale, financing, or approval of narcotics transactions to realize significant profits. Therefore, it was only natural that as the trafficking patterns changed, the Syndicate would move their expertise and connections to another area which currently is represented by another high profit controlled substance - cocaine. Representative of the above are as follows:

AMERICO DePIETTO

Subject was arrested and convicted in 1964 for the sale of narcotics. DePIETTO received a 20 year sentence and since his release has become a close associate of Marshal Caifano. The latter, a documented member of the Chicago Syndicate, was convicted in Florida for receiving stolen securities and is presently incarcerated.

MARY GUIDO and JOSEPH SKEVA

As noted under "OPERATION FLANKER," Louis Guido (husband of Mary Guido) was convicted and received a 20 year sentence for the sale of heroin. While in prison, he approached a DEA cooperating individual and proposed the purchase of white heroin from the cooperating individual by his wife Mary Guido and his brother-in-law John Skeva. Both subsequently advanced $32,500 to the source following which they were arrested and convicted for conspiracy.

NICK D'ANDREA

Along with demonstrating clearly the Syndicate's involvement in drug trafficking, the D'Andrea case is of singular interest because of the ususual violence connected with it. The Chicago Syndicate has generally handled internal conflict quietly to preclude enforcement and media attention; however, in this instance, the power struggle on Chicago's south side culminated in a number of murders including that of Nick D'Andrea.

The investigation began in 1980 when a DEA undercover agent met with Nick D'Andrea. It was subsequently determined that he was heavily involved in drug trafficking, primarily cocaine trafficking. His organization distributed cocaine to dealers in

the south Chicago suburbs and Northern Indiana. Through undercover negotiations, it was determined that the D'Andrea Organization was distributing multi-kilo quantities of cocaine which were obtained in Florida.

In September, 1981, Nick D'Andrea's body was discovered in the trunk of his car. A month later, his brother Mario was shot and killed by a DEA undercover agent during a cocaine transaction when D'Andrea attempted to shoot the agent.

OPERATION FLANKER

This operation was initiated in 1970 to determine Organized Crime's involvement in the distribution of narcotics. As a result of this probe, substantive cases were made and indictments were subsequently issued charging the following Organized Crime members or associates with the sale of heroin, all of whom were convicted and received substantial sentences:

CHRIS CARDI	ALEX MICELLI
JOSEPH CADUTO	LOUIS GUIDO
FRED CADUTO	FRANKLIN CARIOSCIA
JOSEPHINE CADUTO	MICHAEL CARIOSCIA
VIRGIL CIMMINO	

To further document Organized Crime's involvement in narcotics was the admission by Chris Cardi, who was a fully documented Organized Crime figure, that the Chicago Syndicate was in fact involved in narcotics. It should be noted that Cardi was the victim of a gangland killing almost as soon as he was released from prison.

ERNEST ROCCO INFELICE et al

Infelice is a member of the Chicago Syndicate and was convicted on October 23, 1973 for the sale of heroin and conspiracy to violate the Federal Narcotic Laws. Infelice along with his co-defendants, Mario and Chester Garelli, were employed at McCORMICK PLACE. During the development of this case, it was necessary for the DEA cooperating individual to receive clearance before a purchase of heroin could be made from the Garelli's. This approval was given by Infelice in a DEA recorded conversation which becamse a substantial portion of the case presented against Infelice.

This case is of special importance as it represents the change from white heroin associated with FRENCH CONNECTION sources to brown heroin controlled by the HERRERA's. In 1982, DEA Chicago has noted a revitalization of white heroin connection evidenced by investigations currently not of public record.

SAM SARCINELLI

Organized Crime figure Sam Sarcinelli was convicted on December 10, 1982 and sentenced in Florida to 8 years in prison and 3 years special parole on count one, and 8 years in prison and 3 months special parole on count two of an indictment charging Sarcinelli with Possession and Conspiracy to distribute narcotics. Sarcinelli headed a large-scale narcotic organization capable of distributing multi-kilogram quantities of cocaine per month.

I thank you for the opportunity to provide the Drug Enforcement Administration's information regarding the subject of your hearings, and for the continued interest and support of the Subcommittee in our efforts against organized crime and illicit narcotics trafficking.